FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Panic buying of bread

The threat of an all-out strike by bakery workers was hanging over renewed talks last night between employers and union leaders.

As talks began with the Advisory, Conciliation and Arbitration Service, Mr. Sam Maddox, general secretary of the bakers' union, said the employers were ignoring the situation. There would be a strike before Christmas.

Bread shops throughout the country were hit by panic buying before the long holiday weekend.

Rank, Hovis, McDougall, Spillers French and Allied Bakeries estimate that production has been cut already by about a quarter because of the overtime ban by 33,000 union members. Back Page

'Tanker crash more serious'

Damage to the two supertankers which collided off South Africa on Friday is more serious than first thought, salvage men said. Mr. John Kerr, vice-president of [illegible] Incorporated, the company which owns the tankers, said the collision was costing his firm nearly £60,000 a day in operating costs. Repairs, salvage and anti-pollution measures were costing £120,000 a day.

Terrorist gets 20 years' jail

A Dutch court sentenced Knut Folkerts, 25, a leading member of the Red Army Faction, once known as the Baader-Meinhof gang, to 20 years' jail for murdering a policeman. Dutch hold terrorist, Page 4

10,000 freed

Indonesia freed 10,000 political prisoners in a move to erase the memory of a bloody Communist coup attempt 12 years ago. Page 5

TV games clear

Reasonable use of electronic TV games should not damage TV screens, the U.S. Federal Trade Commission said. But prolonged use could imprint the game pattern on screens.

Quake kills 350

An earthquake in central Iran killed 350 and injured 500.

More tubes

Two of the Jubilee line, Charing Cross to Fenchurch Street, will go ahead despite the Government's refusal to give financial support, the Greater London Council said.

More Mormons

Membership of the Mormon Church has increased since the [illegible] to bed for sex [illegible] case. There are 100,000 members in Britain.

Round-up . . .

Affected by the dock strike in the U.S. will not reach Britain before Christmas.

Drink on sale in supermarkets is partly responsible for the rise of alcoholism, the Rev. [illegible] Bedford, a leading Methodist minister, said.

Soho club owners in London's West End agreed to an [illegible] total ban on front-of-house publicity.

Houseboat residents on Taggs Island, in the Thames, were granted a High Court order until [illegible] stopping Richmond Council closing a bridge to the island.

Chief Constable of Lancashire was dismissed after it was found he misused police manpower and interfered with police processes.

The Fight Campaign, launched a year as a protest against fare charges on London's Tubes was illegal, the High Court said. Passengers bought a 10p ticket and gave an IOU for the rest.

BUSINESS

Pound stronger; equities up 9.8

● EQUITIES moved forward, with the FT Ordinary Share Index up 9.8 to 479.6, mainly reflecting bear closing.

● GILTS moved upward initially on strength in sterling, but gains were eroded towards the close, the Government Securities Index put on 0.16 to 77.68.

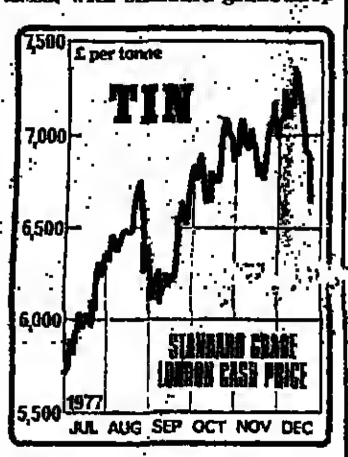
● STERLING rose again to touch its best levels against the dollar since April 1 last year in thin exchange market trading. It reached $1.8967½, closing with a gain of 70 points at $1.8805. Its trade-weighted index rose from 64.1 to 64.5, after reaching 64.6 at noon.

The U.S. dollar fell below Sw.frs.2 for the first time ever, but recovered to Sw.Frs.2.0255. The dollar's trade-weighted depreciation widened to 4.72 per cent. (4.63).

● GOLD fell $1 to $159¼.

● WALL STREET was 4.59 down at 803.36 just before the close.

● TIN prices fell sharply on the LME, with standard grade dropping £220 to £6,630 a tonne, after a peak of £7,355 on December 9. Page 29



● WEALTH TAX plans have been criticised by both the CBI and the Association of British Chambers of Commerce as being especially harmful to small businesses. Page 6

Clampdown on offshore banks

● A DRIVE to cut down the number of overseas-registered companies operating in Britain with names incorporating "bank" or "trust" is being conducted by the Government, resulting in more than three-quarters of these offshore concerns going out of business. Back Page

● UNIT TRUST figures for November show sales of £35.4m., down from £36.5m. in October. Repurchases also dropped from £23.4m. to £20.3m. Page 6

● CANADIAN uranium supplies to the EEC will be resumed from January 1 under a new agreement on safeguards. Back Page

LABOUR

● ASTMS claims that a number of its members have won "quiet" pay deals which breach the Government's 10 per cent. guidelines. Page 7

COMPANIES

● LONRHO pre-tax profit for the year to September 30 fell from £93m. to £88m., on a 16 per cent. jump in turnover to a record £1,257m. Page 10 and Lex

● ICI Fibres Division expects losses of between £10m. and £15m. this year as the textile industry in Western Europe goes through one of its worst slumps. Page 11

● FMC turned a pre-tax profit of £1.13m. into a loss of £427,000 for the 24 weeks to October 15, after losses in its meat, meat products and Harris divisions. Page 11, Page 29 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

[illegible] 10pc 1992	£94½	+ 1¼
[illegible] of Yorkshire	68	+ 8
[illegible] and Portland	75	+ 6
[illegible] (A)	220	+ 6
[illegible] A	106	+ 5
[illegible] Intnl.	81	+ 4
[illegible] Sportswear	90	+ 10
[illegible]	30	+ 5
[illegible] La Rue	530	+ 14
[illegible] Withy	323	+ 5
[illegible]	269	+ 9
[illegible] (B.S.)	192	+ 6
[illegible]	156	+ 8
[illegible] Portland Estates	304	+ 12
[illegible] (A.)	192	+ 8
[illegible] (Jas.)	57	+ 5
[illegible]	358	+ 4
[illegible] Sons	215	+ 7
[illegible]	272	+ 8
MEPC	123	+ 6
Madame Tussauds	59	+ 7
Manganese Bronze	68	+ 4
Metal Box	298	+ 12
Minster Supplies	52	+ 6
NatWest	282	+ 9
Plaxtons (Scarbro.)	126	+ 13
Rediffusion	92	+ 8
Racal Electronics	204	+ 10
Stocks (J.)	106	+ 5
Thorn Electrical	372	+ 15
UDS	94	+ 4
Union Discount	475	+ 15
Vickers	177	+ 7
York Trailer	74	+ 12
Shell Transport	532	+ 12

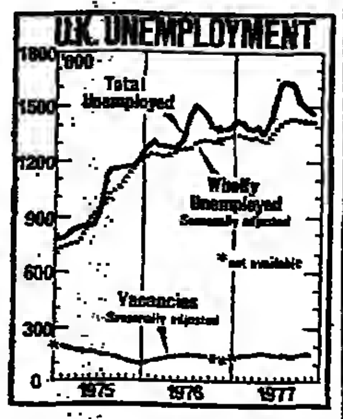
FALLS

Anglo American	238	− 7
Durban Deep	267	− 13
East Rand Props.	329	− 13
Stilfontein	213	− 19
Winkelhaak	519	− 24

Unemployment falls for third month running

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The number of adults out of work fell in the month to mid-December for the third month running. There were more job vacancies in mid-December than in any month since May 1975.



The reduction in the number of jobless may be largely the result of the Government's various job creation and preservation measures, and the turning point for unemployment still some time off, as the level of economic activity has remained sluggish in recent months.

Adult unemployment in the U.K. fell by 4,800 in the month to mid-December, to 1.43m., seasonally adjusted, according to figures by the Department of Employment yesterday. This is equivalent to 6 per cent. of the national workforce.

In the last three months the number of adults out of work has dropped by 18,000, though the mid-December total was still 102,000 higher than a year ago.

The rise in notified vacancies for the third month in a row is an encouraging pointer. The mid-December total was 162,700, up 7,100, seasonally adjusted.

Announcement of the figures produced a spate of contrasting statements. Mr. Albert Booth, the Employment Secretary, described the figures as "good tidings for Britain."

Mr. Leo Murray, the TUC general secretary said they were "a dismal Christmas present for nearly 1.5m. unemployed people."

He called for a New Year resolution by the Government "that it is going to take firm action to make sure that the economy gets moving upwards, and the unemployment figures get moving downwards."

The movements in unemployment this year have been puzzling. After little change in the total during last winter and early spring, there was a sharp rise in the summer, followed by the recent slight fall.

But all this occurred in a period when output grew very slowly at best.

An important reason for the latest fall appears to be the increased impact of the special employment measures in the autumn as new annual training schemes started.

Regional map Page 7
Editorial comment Page 12

The result is that the number of unemployed taken off the register by the measures has risen from an estimated 225,000 to 260,000 in the last three months.

Only part of the change involves school-leavers. The rise is roughly double the fall in adult unemployment in the period.

Officials are reluctant to draw too many conclusions apart from saying that unemployment may now be on a plateau.

Most forecasters expect a further rise until well into next year at least, and the Government's projection is that the expected acceleration in the rate of economic growth next year will halt the rise in unemployment by the end of 1978.

One slightly ironic result of the Government's special measures is to reinforce the pressures holding down the growth of productivity, in contrast to the stated aim of the industrial strategy. Output per head in manufacturing has been no higher this year than in 1973.

The unadjusted unemployment total fell by 18,270 to 1.48m. in the month to mid-December, largely as a result of a further fall in the number of jobless school-leavers, by 15,000 to 58,300.

More than 92 per cent. of this year's school-leavers have found work, training or further education.

Dell pleased with GATT deal on textile imports

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT BRUSSELS, Dec. 20.

THE EEC agreed to-day to renew the GATT multi-fibre arrangements for another five years, after approving the results of the recent bilateral negotiations between the European Community and the Community's main low-cost textiles supplier countries.

The way to agreement was cleared when the U.K. signalled its consent after 11th-hour bargaining in which it persuaded Denmark and Germany to accept 500 tonnes of imported cotton cloth originally intended for the U.K. market.

Mr. Edmund Dell, Secretary for Trade, said after an EEC Foreign Ministers' meeting here that the renewed arrangement, the internationally-recognised framework for regulating the textile trade, would be "a historic turning point in the fortunes of the U.K. textile and clothing industries."

Tight restrictions had been obtained on more than 20 sensitive products, representing 75 per cent of U.K. imports, with satisfactory restraints on other sensitive items. Trigger mechanisms had been set up to prevent new products, now unrestricted, from swamping British markets.

The new arrangements provide for total low-cost imports into the EEC of about 1.1m. tonnes next year. Overall they will allow a growth rate of about six per cent. annually over the next five years, though growth rates will vary sharply between different categories of imports and different countries, with minimal increases or none for the most sensitive items and dominant suppliers.

The increase on U.K. cotton yarn imports has been restricted to 0.8 per cent. a year. For cotton cloth it will be 0.5 per cent.

The 1978 ceilings for British imports of the eight most sensitive products are officially estimated at: cotton yarn 22,600 tonnes, cotton cloth 70,400 tonnes, synthetic cloth 12,500 tonnes, T-shirts 53,000 tonnes, 44m. sweaters, 29m. men's and women's trousers, 27m. women's shirts, 42m. men's shirts.

In most cases the 1978 levels represent a slight increase over 1976 imports, but several are lower than in 1977. The highest annual growth rate among the most sensitive products, 4 per cent. annually, will be for sweaters.

The sick man of Europe Page 23
EEC steel rules Page 4

The Ministers approved in principle the bilateral agreements which the Commission has concluded with more than 20 suppliers, including Hong Kong, and authorised terms for completing negotiations with four other countries with which no accords could be obtained within the Commission's strict mandate—India, Brazil, Egypt and Pakistan.

Negotiations are pending with Portugal, Spain and Yugoslavia. The Commission has been charged with ensuring that imports from these countries do not exceed specified levels until firm agreements have been concluded with them.

Because the present arrangement is due to run out at year end, the Ministers authorised the Commission to renew it immediately on behalf of the EEC rather than wait until details of each of the bilateral agreements are finalised.

Perez presses for oil price rise

BY RAY DAFTER AND RICHARD JOHNS CARACAS, Dec. 20.

PRESIDENT PEREZ of Venezuela, proposed to-day that the Organisation of Petroleum Exporting Countries should raise oil prices by 5-8 per cent. and devote all the increment to cutting the mounting debts of developing countries.

However, both his proposition and his tactics are being seen as implicit recognition by Venezuela and some other producers that they cannot obtain an increase now in the face of the commitment by Saudi Arabia and Iran to a 12-month freeze.

President Perez appealed—over the heads of the OPEC delegates meeting here—for an extraordinary meeting of member countries' leaders to discuss his plan.

As OPEC's 50th ministerial conference began, it seemed that the contentious issue of pricing might be shelved completely for six months in the cause of unity. This would amount, in effect, to acquiescence of members in a freeze until at least July.

No hope

President Perez's initiative reflects his predicament arising from his public call for a 5 per cent. rise last month as well as an attempt to obscure the decision over prices. Failure to get agreement on an increase or, even worse, a collapse of the conference, could cause him severe political difficulties at home.

Nevertheless, his proposal should not be dismissed as a rhetorical flourish and will, inevitably, have to be taken very seriously by fellow OPEC heads of state whom he is contacting directly.

Assuming continuation of OPEC output at the current rate of about 30m. barrels a day, a 5 per cent. increase would provide about $7bn., and one of 8 per cent. around $11bn. That should be seen in the context of a Third World debt which, President Perez said, has risen from $40bn. in 1973 to $180bn. this year.

He proposed that OPEC, together with the group of 77 developing countries and the International Monetary Fund,

Continued on Back Page

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Mr. Callaghan greets Mr. Begin on his arrival at Chequers.

Israel defence chief in Egypt

BY OUR FOREIGN STAFF

THE SURPRISE arrival in Egypt yesterday of Mr. Ezer Weizman, the Israeli Defence Minister, marked yet another step towards a Middle East peace settlement.

He held seven hours of talks with his Egyptian counterpart, General Abdel Ghani Gamassy, near Alexandria. Later he was reported by Israeli Radio to have held talks with President Sadat.

The two Defence Ministers are understood to have discussed the military implications of a peace agreement and ways of ensuring that, while negotiations go on, military movements by either country are not misunderstood, leading to an increase in tension.

In the U.K. Mr. Menahem Begin, the Israeli Prime Minister, held three hours of talks with Mr. James Callaghan at Chequers on his way home from the U.S.

Afterwards he told a Press conference that Mr. Callaghan had given "a favourable reception" to the plan which he will be putting to Mr. Sadat at their meeting on Christmas Day.

The British Government is known to consider Mr. Begin's proposals, which were partially disclosed in Washington on Sunday, as an imaginative starting point for negotiations. Britain, it is claimed, is playing a significant role as an intermediary between Israel and Egypt through its close ties with several Arab states.

Senior Ministers believe that Mr. Sadat can lay the basis of an agreement covering the future of the Palestinians and the West Bank, and of Jerusalem, as well as Sinai.

That omits only the question of the Golan Heights—which needs Syrian participation—but the U.K. Government believes that the basis of settlement covering three of the four main points of contention could be reached within a few weeks and certainly within two months.

Mr. Weizman is understood to have discussed with General Gamassy the military arrangements which will form part of the overall peace package to be put to Mr. Sadat by Mr. Begin on Sunday.

Measures to prevent local manoeuvres or troop movements being misinterpreted during the run-up to any peace agreement were also thought to have been considered.

The Israeli Minister, regarded as the architect of Israel's air force, is considered one of the strongest contenders for the premiership should Mr. Begin be forced to resign for political or health reasons.

General Gamassy, by agreeing to the Israeli request for the meeting, is also identifying himself more closely with President Sadat's peace moves and emphasising the degree of military support for a settlement.

Since the announcement of Mr. Sadat's visit to Jerusalem, Mr. Weizman has been under pressure from some of his generals who were suspicious of Egypt's real intentions. He later set up an army team to work out the maximum concessions Israel could make.

Mr. Weizman may have brought these proposals with him to Alexandria.

The fact that yesterday's meeting took place provides the first concrete evidence that behind-the-scenes progress is being made at the Cairo conference between Egyptian, Israeli, U.S. and UN representatives.

General Avraham Tamir, one of the Israeli delegation, has been notably absent from some of the public events attended by other conference members.

The Egyptian President is planning to increase pressure on Arab waverers in the Middle East conflict by issuing fresh invitations to an upgraded session of the Cairo conference.

Provided his Christmas Day talks with Mr. Begin can be shown to have produced some movement towards a settlement, Mr. Sadat will again call on Syria, Jordan, Lebanon, the Soviet Union and the Palestine Liberation Organisation to come to the conference table.

Mr. Sadat wants to maintain the momentum achieved by his visit to Jerusalem and demonstrate that he is still seeking a comprehensive settlement.

Accord near on capital flow

BY GUY DE JONQUIERES

BRUSSELS, Dec. 20.

BRITISH and EEC officials were this evening near agreement on the principal relaxations which the U.K. will be legally obliged to make in the rules governing capital flows to the rest of the Community after the end of this year.

The exact measures, which are required by the EEC treaties, are expected to be decided by the European Commission to-morrow. A number of points are understood to be still under discussion — in particular a slightly greater than originally expected easing of controls on portfolio investment — but the package seems likely to include these provisions.

1—An increase to £1m. from £250,000 in the amount of foreign exchange which may be purchased at the official exchange rate for direct investment in other parts of the EEC.

The "super criterion" or maximum period in which an investment abroad is supposed to bring equal benefits in the balance of payments, would be doubled to three years.

Pledge

2—Phasing out of the 25 per cent. surrender rule on proceeds from the sale by U.K.-based investors in debt issued by official EEC bodies like the European Coal and Steel Community.

The U.K. may also be asked to pledge a similar liberalisation of the rules governing the sale of securities issued by other types of public and private body inside the Community.

3—A relaxation of exchange control regulations on certain private remittances from the U.K., notably pensions.

M. Francois-Xavier Ortoli, the Commissioner for Economic and Monetary Affairs, who is in charge of the negotiations with the U.K. Treasury, is understood to be sympathetic to British arguments that radical changes to the exchange control laws could trigger a dangerously large outflow of long-term capital.

As a general rule the Commission favours an easing of regulations on direct investment rather than portfolio investment because the former creates jobs.

But M. Ortoli is said to accept in Britain's case that much overseas direct investment has little effect on the productive economy because it is channelled into property rather than industrial undertakings.

LOMBARD

Sir Harold's holiday book

BY ANTHONY HARRIS

THE INTERIM report of the Wilson Committea has bad s fairly bored thougb respectful press. After all, the important evidence was published as it came along, and tha report was greeled as a bandy compendium of wbat was already known, and perbsps as a prospectus of wbat will one day be u wonderfully detailed self-portrait of the City. In sbort, the sort of document tbat used to be known io the services as File and Forget.

Complacency

Reading it through, though, It seems to me that this misses some of the point. The wbole is in several ways more instructive than the parts. Things are not only very usefully boiled down, but some common essences come boiling to the surface; and by far the strongest whiff whicb bubbles up is that of the City's immoveable complacency.

Criticisms are recorded not only from the TUC and the National Executive Committee of the Labour Party, in whst has already been greeted as the draft minority report, but from American banks, Japanese banks, some industrialists and from the Bank of England itself. Every single one is rejected, with a sad shake of the head. If things are done differently elsewhere, that only shows that people elsewhere are misguided, even if they happen to have much more vigorous economies. The puzzling conclusion is that all is for the worst in the best of all possible worlds.

The best-publicised example of this defensiveness is the very thin available evidence on the property boom and slump of 1972-74. The Bank of England's account of this has nettled Sir Harold himself, hardly a counter-Establishment lion, to demand more; bnt even in its present state it must be a total revelation compared with the City evidence summarised in the interim report. Here it appears that the whole affair must bava happened in some other country. No one bought any property, or lent any money to anyone else to buy property—the highly selective statistics prove it. It seems to have happened simply because of tbe rise in the money supply, without tbe intermediation of anyone wbo has survived to give evidence.

What is in a way a still finer example emerges in the discussion of tbe so-called proprietorial gap. The institutions, reluctant as ever to spend money on executives wbo actually understand how industry is run, produce as tbeir crowning argumenl the fact that in Germany the close involvement of the banks with industry "is sometimes considered a disadvantage."

To be sure, the wbole discussion of the topic in the report show that the non-involvament of the institutions with mansgement in this country is also sometimes considered a disadvantage — by the Bank of England and the Bow Group, to name bnt two, apart from the standing Left-wing minority on the committee; but the institutinns reject this criticism, so it doesn't count. It is the only case I know wbere a witness has tried to support an srgument simply by showing that he is more complacent than anyone else, without even mentioning the merits of the case.

The clearing banks also appear to be pretty dug in on this topic. The American banks have put in a paper which argues pretty persuasively that the American way of lending to industry on a going concern basis—estimating the client's ability to service debt out of cash flow and mooitoring his progress—is more helpful, financially less cramping and potentially safer than the British tradition of securing a loan by a floating charge and letting the management go to perdition in its own way. The clearing banks seem to offer no answer to the solid arguments, thus evading the embarrassing fact that they largely wouldn't know how to forecast a cash flow or set operating targets and monitor them.

Defensive

It would be nice to believe that the defensiveness and inconsistency of some of the evidence is going to provoke Sir Harold and bis committee into a bighly critical report; and it is always possible thst further revelations about the property boom, not to mention the saga of the Crown Agents, will arouse a *rather more sceptical* frame of mind than has yet been evident. Mr. Clive Jenkins and bis colleagues will no doubt bsve mncb satirical fun in due course, but their views will be ignored because of their known prejudices. However, tbe report will certainly provide evidence, as some friendlier reviewers have already remarked; and wbat csn be read between the lines of this interim report suggests that it is not only the City's defence league wbicb will be able to use it. The 43 pages nf lucid prose in the report are not the funniest text you can read in the next few days, but they are worth the effort.

Beware the lure of the Golden Gage

GARDENS TO-DAY

BY ROBIN LANE FOX

FOR CHRISTMAS, I would lika the impossible, not just a pound at $3.50, nor the music of Edward Heath's *Carols* to tha words nf Edward Heath's *Travels* against the sound-effects of Edward Heath's *Yachting*: I would like a ripe greengage from my garden. It is all the more unlikely as my one greengaga tree, inherited with the garden, is oedded in rougb grass, beset by wasps, stripped (I suspect) by bullfincbes and anyway three months out of season. But the thougbt of so much as nne fresh greengage sours the prospect nf a wbola box of crystallised fruits.

Gage is s salesman'a slogan nowadays, so you have to be careful. Those varieties called Oullins Golden Gage are not greengsges st all, still less the one called *Dennistons* Gage which bas a horribly bitter skin. There are only two serious greengages, sweet and scented to the core, on general release. One is probubly called Greengage, or True Old English, Early or Late Old Englisb Greengage, depending on the site of yonr supplier aod whether or not he likes to be tbougbt old-fasbioned. I hava a variety of this which is known as the Stubborn Old Greengage. Others may be lnckier if they choose one called the Cambridge Gage, as this is the best garden variety and bears smallish fruits more regularly than the others. The one called George Gage is an old fruit, lost to cultivation, so far as I can see, but said to have been good in his day. The chnice, then, is not difficult. Do not ba deceived by the term gage, like s man who buys old masters from a sale catalogue because their artist is prefixed by his initials. Gages, I repeat, are only a polite word for plums. Early Transparent Gage is a variety, then, whose title you must see through. Only buy a full greengaga in nne nr twn words.

I assume, then, you will buy the Cambridge Gage if you are reading this with a wish to act on my sdvice. You cannot stop there. It is self-sterile, that is, it cannot make a living gage. It bas to bave a suitable neigbbour whn will pollinate it. I was taught by a fine fruit-gardaner that the plain Victoria plum is the best neighbour. Victoria is self-fertile and can spare a hit for those around her. If you plant one Cambridge Gage in isolation, I can assure you that you will nevar see a greengage on it and that it will not be the wretched columnist's fault. It must keep good company.

Where dn you buy nne? Almost anywhere, Rivers of Hertfordshire, Blackmnor Nurseries of Liss, Hants, John Scott of Merriott, Somerset. It is most unwise to plant your greengage in turf, lika mine. It likes an open bed, well manured, without competition from the roots of grass. It is very happy against a warm wall wbere it will ripen fully. The wasps will no doubt nest in the wall behind it, but yon could always make those little nylon boots for the young fruits and let them grow up individually in their own safe bag. Put these covers on, if you bother, by late July.

Otherwise, thare are no hazards, beyond the usual anxieties of leaf curl, birds and unexplored bacteria on those branches which you wounded whila pruning. I do not think that Cambridge Gage deserves its nurserymen's nama of "regular cropper." They can always blame tba birds—a bullfinch could strip a tree while you are in your hath, suspecting nothing—but I think that even this good greengage will pass its dividend from time to time. Be thankful whanever it does not.

I would like to lesve you, instead, with an idea for the weeks after Christmas which I have found in a traveller's diary, passing through late nineteenth-century China. Those wbo dig wildly round their plum trees and give away the suckers as Christmas presents are not being generons. Any worthwhile fruit tree is grafted, and its suckers are merely the suckers of bad wild stock. If you want to propagate your trees, you should graft them, too, for the quickest results. But you might like to ponder these tricks nf the Chinese.

They cboose a young branch and cut away a ring of its bark at the point near to tbe junction with a main trunk. The ring is not a full circlo right round the branch's circumfarence. It stops about two-thirds of the way round, so that its ends do not meet. Nothing unusual, so far, but they would then "wind a rope, made of straw and mixed with ricb soil or manure round and round until a ball is formed, five or six times the diameter of the branch." Into this, tha exposed wood would slowly put a root while tbe sap just found a way througb. But the straw must be damp. A coconut-shell or pot with a very small bole is hung above it, and kept topped up with watcr. The water would drop slowly through the bole, keeping the joint as wet as the root beneatb would wish.

For three weeks, tha pot is kept full nf water every day. Then, the circle of clipped bark is finished off snd mado into a full circle, both ends touching, ao as to slow the sap. Then, the cut into the wood is deepened. Two months later, the cut can be deepened further, and then, if ever, roots from the ball will hsve settled well into the straw. When ibey can be seen intertwined on the surface, the branch can ba sswo carefully away from its pareol and planted ont in its own right. It lacks a stock, of course, but it will grow and fruit. Grafted gages cost over £4 each.

Instead of the ball of straw, a Chinese touch, you could slip a flowerpot, bole first, over your thin branch and use it to hold the earth in place. I have seen this method in amateur English gardens. Either way, the success rate is said to be excellent, as long as you never let the water drip lspse and the earth dry out. You may not gain the quickest gages from the process, but they cost nothing aod come true to form. April is the month for this ingenious trick, the prospect will tide me through the winter. It is the next best thing, I suppose, to acupuncture for a favourite fruit-tree.

Rodman can make it four in a row

RACING

BY DOMINIC WIGAN

DESPITE an uncannilly skilful knack of going straight for Fred Winter's occasional failures, I bave no besltation in slding with Rodman to-day.

John Francome's mount, who bids to extend his unbeaten sequence over hurdles to four in Chepstow's Finale Junior Hurdle, impressed me tremendously at Cheltenham 12 days ago when toying with the opposition in the Daily Express Triumph Hurdle Trial, and judged on that run he has nothing to fear from Pollerton bere.

Sent into the lead three fences from home at Cheltenham, Rodman quickly forged clear to win early passing the post eight lengths ahead of Slasher, who beat Pollerton by nearly as much for second place.

Although Pollerton a far better animal than Rodman on the Flat, will bave come on considerably as a result of that race, his first over hurdles, there are no grounds for expecting him to turn the tables on unaltered terms.

Indeed, if there is to be a turn-up with the defeat of the 5—2 favourite for the festival meetings Daily Express race, I expect either Tony Dickinson's Big Ben or the Stan Mellor-trained Tuparon to be the cause.

A market move for either nf these newcomers to the winter game should be noted.

There are 42 entries for the first running of Newbury's £3,000 L'Oreal Hurdle on New Year's Eve.

Dramatist heads the handicap with 12 st. 7 lb. 12 lb more than the second top weight, Peterhof.

The Dunce, a stable mate to Dramatist, has been set to carry 11 st. 1 lb., 5 lb. mora than ba carried when fifth in the Schweppes Gold Trophy on the same course in the spring.

There will be £25 for the lad responsible for the best turned-out horse, and a presentation box of the company's products for all handlers with runners in the race.

CHEPSTOW

12.45—Warwick Flyer
1.15—Jack Anthony
1.45—Rodman***
2.15—Lord of the Rings
2.45—Levantine
3.15—Golden Spice

TOWCESTER

12.30—Mister Parsley
1.00—Go to Town
1.30—Great Park

CATTERICK

12.45—Saldiers Field*
1.45—Clever Prince
3.15—Cape Felix**

Jockey Club in dispute with Levy Board

BY MICHAEL THOMPSON-NOEL

THE JOCKEY Club and tha Horserace Betting Levy Board yesterday found themselves in total disagreement over the Jockey Club's plan for a new ruling body to run horse racing.

The scheme, announced yesterday as a proposal to Lord Rnthschild's Royal Commissinn on Gambling, calls for a single new racing anthority with statutory powers and a Home Office-appointed chairman to replace the present administrative set-up wbereby the Jocky Club hsndles discipline and racing policy and the Levy Board bandles finance.

It is not a new idea, and it is doubtful whether it is likely to win s great deal of attention from the Royal Commission, which has heen investigating the whole of British gambling. The commission's report is expected in mid-1978.

Sir Desmond Plummer, the Levy Board chairman, was not consulted by the Jockey Club and said yesterday that the plan was unlikely to be sceptable to the Government. The Jockey Club proposes two vice-chairmen for the new body, one representing the Home Office, the other the Jockey Club.

Call for inquiry into advert

A FOREIGN car company's advertisement containing a photograph of Britain's Houses of Parliament under the caption: "Our grateful thanks to the occupants," bas led to a demand for a Government inquiry into tax avoidance.

The advertisement for Germany's Andi cars appeared In national newspapers last week, announcing a leasing arrangement under which new £5,000 cars can be driven away by paying £500—less than half the initial payment on a normal bire purchase scheme.

"And the entire cost of leasing can be set against tax, which could halve the real cost to your or your firm," the advertisement added.

Mr. David Heald, prospective Parliamentary Labour candidate for Roxburgh, Selkirk and Peebles, said he had written to the Chancellor, Denis Healey, asking for an inquiry.

Bank sponsors design award

THE CLYDESDALE Bank is to sponsor a £1,000 Scottish designer of the year award run jointly with the Scottish committee of the design council.

Skateboard park plan turned down

FINANCIAL TIMES REPORTER

A PROJECT to turn part of a central London multi-storey car park into a skateboard park has had to he abandoned, the Borough of Camden baving turned down an application on the grounds of tha "noise and disturbance that would be generated."

The application was made by Skateways, a company formed by National Car Parks and Tate and Lyle to operate skateboard centres and market skateboards. It hoped to convert three floors of a buge garage owned by NCP in Herbrand Street, near Russell Square.

The premises were considered ideal because tha car park is of columnless construction and bas sn abnormally high ceiling. Skateways bas already spent about £35,000 on preparing the premises, including installation nf a portable purpose-built 120-foot cbute, and a 132-foot ramp and speed bowl which would cater for about 500 skateboarders a day.

The proposal was in line with the council's stated intention of encouraging skateboard facilities snd, by rednclng parking space, restraining commuter trsffic, but it was considered detrimental to the amenilies of adjoining residential properties and occupiers.

Russell Court, with more than 500 flats, is only 30 feet away from the back of the garage, tha council received many letters of objection and a petition.

Skateways is now looking at other covered premises for a skateboard park, such as a disused warehouse or old … or bus sheds. It would be prepared to consider leasing a … ing or participating with another party on a revenue-sharing basis.

Cinema debut for Muppets

By Arthur Sandles

LORD GRADE, chairman of Associated Television, who … the thick of counter-bidding … Madame Tussauds, announced yesterday that he intended … "the most dominant force in … motion picture industry in … world"—and said he would … a Muppet big screen film in … to add to a list of 15 for the …

"The Muppets are great family entertainment snd that is … the cinema needs. If it is … successful as the Disney films … shall be very happy. The … unlikely to cost less than …

Lord Grade said ATV … making a short television … based on the life of Aristotle Onassis, and longer series … Nelson and Marco Polo.

TV/Radio

BBC 1

† Indicates programme in black and white.

12.45 p.m. Mid-day News. 1.00 Pebble Mill. 1.45 The Flumps. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Great Big Groovy Horse. 5.25 Ivor the Engine.

5.40 News.
5.55 Nationwide (London and S.E.).
6.20 Journey to Bethlehem.
6.55 The Superstars.
8.05 Secret Army.
9.00 Nine O'clock News.
9.25 Last of the Summer Wine.
9.55 Max Boyce with Welsh humour.
10.35 To-night.
11.15 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—4.40-5.05 p.m. Horse of the Year Show. 5.05-5.35 Oil Dan Ganu. 5.55-6.20 Wales To-day. 6.55-7.10 Heddiw. 7.10-7.40 Trem. 7.40-8.05 To-morrow's World. 11.15 Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.15 Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.25-9.55 A Christmas Garland. 11.15 Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.20 a.m. Gharbar: Magazine for Asian families.
10.45 Parosi (part 12).
11.00 Play School.
7.00 p.m. News on 2.
7.05 The Camera and the Song.
7.30 Newsday.
8.00 International Chess Tournament: Larsen v. Miles.
8.30 The Getaways (part 3).
9.00 Music for Christmas.
10.00 Hospital: Geriatrics.
10.50 Network from Land's End: the story of Bernard Walke.
11.20 Late News on 2.
11.30 Closedown: Marius Goring reads a Sermon by Hugh Latimer.

LONDON

11.00 a.m. Cowboy in Africa. 11.50 Cartoon Time. 12.00 Here Comes Mumfie. 12.10 p.m. Hickory House. 12.30 Sounds of Britain. 1.00 News at One. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Family. 3.20 Heart to Heart. 3.50 A Song for the Time. 4.20 Runaround. 4.45 Midnight is a Place. 5.15 Horses in Our Blood.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Wednesday at Eight.
9.00 The South African Experience.
10.00 News at Ten.
10.30 Champions.
11.30 Marcus Welby, MD.
12.25 a.m. Christmas Pie: Happiness Rules—OK. Children tell us what would make everyone happy.

All ITV Regions as London except at the following times:—

ANGLIA

ATV

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1 247m

RADIO 2 1,500m and VHF

RADIO 4 434m, 330m, 285m and VHF

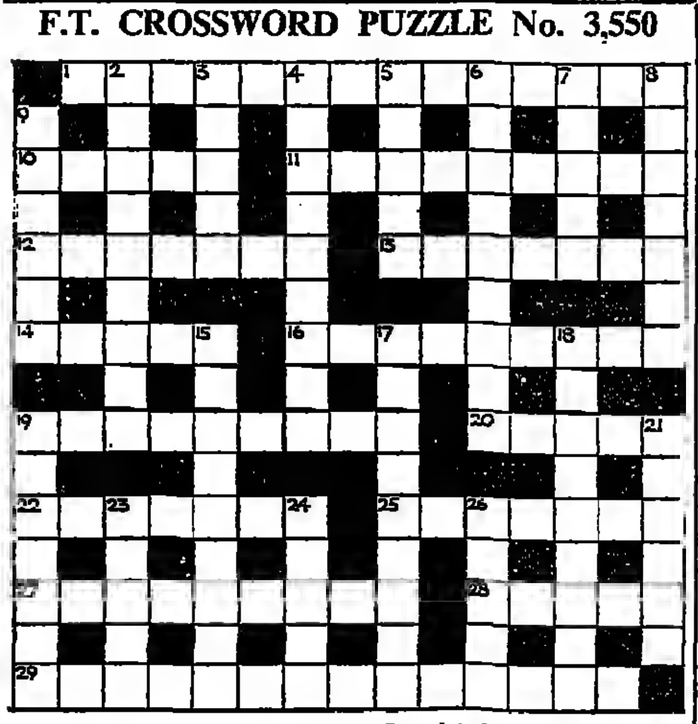
RADIO 3 464m, Stereo & VHF

BBC Radio London 206m and 94.9 VHF

London Broadcasting 261m and 97.3 VHF

Capital Radio 194m and 95.8 VHF

F.T. CROSSWORD PUZZLE No. 3,550



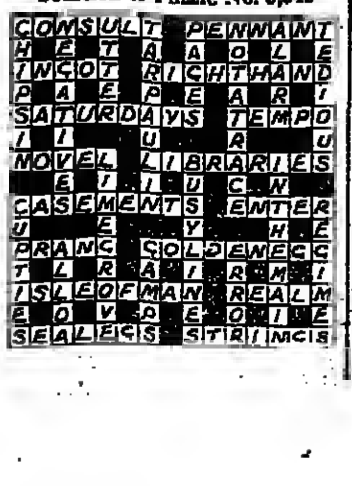
ACROSS

1 Unkempt and out of condition, that's clear (3, 3, 2, 2, 4)
10 Poem about a concert-hall (5)
11 Cut deeply into more ancient fuel container (3-6)
12 The most stingy taking means test? No way! (7)
13 Put the foot down on awkward lad found in tree (7)
14 Wave and give credit to one politician (5)
16 Splendid display requiring time in larder (9)
19 Just one in underwear? (9)
20 Legally preclude some of best operators (5)
22 Sails into bouts of illness (7)
25 Put fat round any rope (7)
27 Street appearing in flower for weaver (9)
28 March, when doctor gets sick (5)
29 A sign that one's promised to telephone after appointment (10-4)

DOWN

2 Proportion contained in open military action (9)
3 Charge round state boundary (5)
4 Female garment with top turned up creates a dangerous situation (5, 4)
5 The start on television (5)
6 Acquit without one charge (9)
7 Completed objective edition (5)
8 Where plants are brought up by tender on railway (7)
9 Company Sergeant-Major in charge of the universe (6)
15 River fleas follow law-supporter (6-3)
17 Honourable chaps bait people (9)
18 Bird gets allowance for chemical analysis (9)
19 Walk awkwardly with doctor in rocky clay (7)
21 Row and get the feet wet (6)
23 Lash a bit of cloth on gunnel (5)
24 Attack in bad weather (5)
26 The smell of cooking from chicken I'd ordered (5)

Solution to Puzzle No. 3,549



Tommy Steele in triumph

adium

Hans Andersen

by B. A. YOUNG

...dreo — 12-year-olds up- ...say — can't fail to enjoy ...Andersen for the handsome ...ery falling from the flies and ...flying back there, the tune- ...score by Frank Loesser, the ...ified activity of the produc- ... But it isn't really a child- ...show. It's a grown-un's ...about children, like *The ...of Music*. ...name of Frank Loesser ...its origin, the film with ...Kaye in the name part. ...ey Cross has written a new ...to go with the songs, and ...an adult book, as adult ...traditional English panto- ... The mad love of fat ...Maisling (Lila Kaye) for ...ung pupil Hans is decked ...th lots of slapstick foolery. ...t is as far from the average ...'s world as the references ...e Apocrypha or lines like ...basso wasn't profundo ...ch." ...harm. Tommy Steele, after ...who not only plays Andersen —H. C. Andersen, as we always called him when I was in Denmark — but directs, is no longer a teenybopper's dream; he is the kind of singer whose fans tend to have a husband and a couple of kids. I do not greatly admire either his singing with its Americo-Cockney accent, or his acting, which is only a presentation of his own personality. But there is no doubt that he is a marvellous focus for affection, and my affection goes there with everyone else's.

The story, though it is labelled "a fairy-tale musical," is really an account of Andersen's early struggles to graduate from bootmaking in Odense to successful writing in wonderful, wonderful Copenhagen. The fairy element is injected by way of Jenny Lind, prettily played and acted by Sally Ann Howes, who is represented as having helped him on his way to success (fiction) and as being the love of his life (fact).

Hans also has a confidante, Otto Pedersen, who may or may not have been mutated from a frog when Hans pronounced a magic formula; he has little function in the story, but he is Anthony Valentine, and everyone loves him for perfectly sound reasons. There are also some splendid fairy creatures that emerge from Andersen's first book with the cunning aid of puppetry and "black theatre."

Tim Goodchild's scenery is always pretty, even if wonderful, wonderful Copenhagen looks a bit like the working quarter of Odense without the village pump. Dancing seems to me dutiful rather than inspired, but children won't ask, as adults might, why those routines suddenly blossom out on stage without much reference to what is supposed to be going on. The choreography is by Irving Davies.

Television

Six days hard

by CHRIS DUNKLEY

Monday—Precious few television directors have a style so characteristic that their work is identifiable without peeking at the credits, and practically all those who do are drama directors: Mike Leigh, Ken Loach, perhaps Michael Apted, and a few others. In the documentary/current affairs field Tony Palmer is virtually alone in having such a style. Three or four minutes of Monday's "Wigan Casino" in Granada's series *This England* was enough for the practised viewer to say "This must be Tony Palmer." Which of course it was.

Admittedly the programme was on the subject which seems to monopolise Palmer's thoughts—the interaction between pop music and the mundane processes of society—but it was the structure which was unmistakable: the fractured interviews interspersed with old photographs; the perpetual repetition of snatches of music (eight notes from the Enigma Variations, eventually very irritating; and an insulting song asking "What Shall We Do With The Ugly Ones?" which was at one point imposed perversely over a picture of a pretty little girl) and lurking underneath it all a feeling that Palmer had something powerful or angry to say.

Whether the something was political, social or purely emotional it was impossible to tell, as it was so often in Palmer's big series *All You Need Is Love*. The irony was that the viewer came away from "Wigan Casino" saying "Yes, yes, fascinating how work patterns and urban landscapes have changed—but tell me more about this weird place Wigan Casino where a thousand teenagers dance the night away every week-end."

Tuesday—When I say that it is good to look occasionally at mediocre or even bad work in order to continue identifying the good, friends tend to smile sarcastically and murmur about the rationalisation of the addict. Yet bad programmes really do have their uses in terms of comparison, particularly when they turn up in an area such as original drama where it is very rare for British television to fall below a level of middling proficiency, and quite common for it to excel when judged by international standards which, however, can only be ascertained at international festivals.

So a real stinker of a play such as *Charades* in BBC1's "Play For To-day" is both rare and useful. Appearing initially to be a parody about the Scottish house party drama with characters called Davina and Annabel, Sir Fergus and Young Torquil, it slowly became clear that it was all a deadly serious attempt to do on television what *The Servant* did in the cinema.

It was full of lines which even Victorian thespians might have baulked at yet which the poor cast were required to deliver straight faced. "God how I hate this house! This cold, watchful house, full of cold watchful servants" is a mild example. If the play had been submitted by Joe Soap, the BBC's script reader would presumably have rolled around biting the carpet to control their mirth and then sent a polite rejection slip. Unfortunately it was written by Lady Antonia Fraser.

Wednesday—Some of the greatest pleasures provided by television are very simple: for instance the opportunity offered by BBC1's *Sports Review of 1977* to lounge in an armchair on a dark, wet, windy, winter night watching Frank Bough and Harry Carpenter introduce a couple of hours of film clips showing all the best climactic moments from the sports events which kept you rapt in front of the screen during the summer.

The format could hardly be simpler, or more effective: Bough or Carpenter names the sport—athletics, say—and we go smack into that stirringly dramatic 800 metres at the point where Steve Ovett was coming off the bend into the home straight like a Deltic diesel. For tennis we see the almost absurdly acrobatic Wimbledon rally between Borg and Gerulaitis. In boxing Charlie Magri knocks his opponent out of the ring, and in cricket we watch yet again as Boycott makes the stroke that completed his 100th century. The excerpts are so brief that they are little more than mnemonics, but the memory happily co-operates in filling in all the background.

THURSDAY—It must have taken a good deal of courage for Tonight to mount its investigation of the various republican groups in Northern Ireland. Not that it actually showed the self-declared men of violence from to-day's IRA Provisionals: though they would talk off the record, we learned, they refused to put up a spokesman for a face-to-camera interview. "Perhaps it's because they don't have the kind of answers they want to publirise," commented anchorman Denis Tuohy drily.

And, of course, the programme left no doubt about where the BBC stood. When former Provisional chief of staff Sean MacStiofain said that the IRA's policies had not been put fairly to the public, reporter Jeremy Paxman inquired: "Couldn't that be because you've been too busy shooting people?" Later Paxman explained that the Irish Republican Socialist Party has links with the Irish National Liberation Party who are, he added, "very dangerous."

Tonight editor Mike Townson must have known, however, that no matter what attitude the programme took, any serious look at Republican organisations would cause the knee-jerk-reflex group in the Palace of Westminster to start kicking out as usual over the "irresponsibility" of television. There are a number of vociferous politicians who really seem to believe that the way to prevent publicity-seeking murderers carrying on their campaign of terror is to ensure that they never get access to any legitimate channel of communication.

The eight years of bombing during which this policy has been a perpetual abject failure has apparently not altered their thoughts at all.

Townson has courage because he must have known that mere acknowledgement of the existence of republican groups would incur the label "terrorist sympathiser." Sure enough, Tory spokesman Airey Neave made the absurd claim that "This was nothing less than a Party Political Broadcast on behalf of the IRA," which shows just how carefully he was watching.

Television needs the courage of more broadcasters like Townson if the public (that is, the viewers) are to escape the consequences of the innate obscurantism of political ostriches and begin to appreciate the political conundrums not just of Portugal and Czechoslovakia but of our own nation's regions.

FRIDAY. Knowing that the Footlights Revue was the nursery for so much of the talent that later produced *Beyond The Fringe*, *That Was The Week*, *Monty Python* and *The Goodies* one no doubt brings to each successive group nowadays expectations which are unreasonably high.

That said, however, it was surely not wildly over-demanding to expect *The 1977 Cambridge Footlights Revue* on BBC2 to contain one skit or gag on the Jubilee or punk rock or gay lib or Begin and Sadat or fast breeder reactors or the Lib Lab Pact or Charlie's Angels or indeed anything that happened since 1964.

It is hard to imagine what possessed this group of (I assume) 19-year-olds to give us a string of jokes about Superman, Z Cars, Dylan/Donovan folk singing, James Bond, *Dixon of Dock Green* and so on—all subjects which were topical when they were about six years old.

SATURDAY. Louisa, or *The Duchess of Duke Street*, is finally getting some of the comeuppance which was overdue, and getting it from a quarter that makes it highly satisfying not only in human but also in dramatic terms. Her own daughter Lottie is turning out to be a chip off the old block, and instead of blossoming into the full-blown society lady that her *nouveau riche* mother so desired, she is determined to go on the stage. The Major sympathises and last week gave Louisa a piece of his mind.

This highly satisfactory scene, and the ones between the three generations (Lottie with her mother and grandmother) provided in Julia Jones' script the clear and powerful parables and allegories and little morality tales which, nowadays, seem to have disappeared almost entirely from single plays. Goodness knows whether this is a question of cause or effect.

However, when the writers of single plays are next complaining about the way that series and serials are taking over television drama, perhaps they should remember the appeal of watching other people meet and overcome (or succumb to) familiar problems. Sophocles knew all about it and so do the writers of *The Duchess Of Duke Street*.

The Entertainment Guide is on Page 25

Lalla Ward and Gemma Jones in 'The Duchess of Duke Street' (BBC 1)

ome theatre

Enrico IV

by WILLIAM WEAVER

...e the early post-war years the ...tro Eliseo, on the Via ...ionale, stood for exciting ...tre. It was there that ...chino Visconti presented his ...morable stagings of Tennessee ...liams, Arthur Miller, and ...er foreign authors, bringing ...ian audiences—after the ...ophobia of Fascism—in touch ...h the outside world. The ...eo also housed the Roman ...sons of Eduardo De Filippo, ...—for a brief, but important ...iod—it also presented some ...ras, including the world ...miere of Goffredo Petrassi's *...morte dell'aria* and the first ...ival of Rossini's *Il Turco in ...*, with the still not well ...wn Maria Callas and Cesare ...letti.

...ore recently, the Eliseo had ...wn shabby, and with the pro...ration of experimental theatre ...Rome, spreading into the out... districts, the Via Nazionale ...se had also become a ...onym for a certain stuffiness ...conventionality, also in its ...ertoire. Now the artistic ...ection of the Eliseo has been ...en over by Giorgio De Lullo ...Romolo Valli, who have also ...responsible for a complete ...ovation of the interior. The ...se is more inviting than ever, and the De Lullo-Valli company—renamed the "Compagnia di prosa del Teatro Eliseo"—has been attracting capacity audiences, in which the familiar array of mink coats is interspersed with blue jeans.

The season—and the renewed house—has opened with a revival of Pirandello's *Enrico IV*. The combination De Lullo-Valli-Pirandello (plus the designer Pier Luigi Pizzi) has always been a happy one, but never happier than in this handsome and absorbing production. There is no attempt to "re-define" the text, to contaminate it with an unconventional visual approach or an anti-traditional staging. If Pirandello were to drop into the Eliseo one of these evenings, he would recognise his play at once, and he would surely be pleased.

Though Pirandello is rightly considered the father of modern theatre, a revolutionary who broke the patterns of the past, he was also wise enough to write plays that could exploit the kind of grand acting that has always been popular in Italy. The role of Enrico IV requires a virtuoso. Valli is exactly that. His first appearance, seated on his throne, is regal, but already disturbing. In the first act, he gets laughs (especially at his sly scathing of the crown at the end, when he bides it under his penitent's garb). But then, in the second act, as the text becomes more arduous and the complexity of Pirandello's intellectual puzzle increases, Valli is severer, more distant and effective: every sidelong glance, every half-smile is both ambiguous and meaningful, until finally—in the brief third act—he takes on tragic stature. Critics have called *Enrico IV* Pirandello's *Hamlet* and, with its monologues and its theme of madness-versus-sanity, it certainly has *Hamlet*-like aspects, but Valli reminds us that the play could, with equal justice, be called Pirandello's *Lear*.

Pizzi's sets and costumes are soberly elegant (his throne-room and ante-chamber have, appropriately, just a hint of Annunzio-mediaeval). For the most part, De Lullo's staging of the gifted company is apt and unobtrusive. Only in the opening scene, perhaps, the pace is a bit hectic. Gabriele Tozzi (Landolfo) tends to rush and gabble the essential exposition, and the young Franco Acampora (Bertoldo) is encouraged to mug. A little more calm would not detract from the comedy. But this is a minor defect in a grandly-conceived and brilliantly-executed production.

Purcell Room

Patricia Price

by MAX LOPPERT

Patricia Price, already seen in this country and in France as Zerlina, Rossini's Tancred and Chaikovsky's Paulina, and heard in music by John Tavener and Alison Bauld, is a mezzo-soprano of obvious intelligence and versatility, and proved the point in Monday's revival by singing in five languages. Not in all of them was the degree of verbal definition sufficiently incisive (Italian consonants, in Rossini's three *Regata veneziana* songs, were allowed to hang too far back in the mouth); but there was never any doubt that Miss Price had comprehended what she was singing about, and was capable of using the voice to convey her comprehension.

It is a mezzo of wide range, with access to fine-spun and shades throughout its compass, once a slight recalcitrance in the top register had been overcome. Miss Price is especially good—as she showed in her Schubert, Brahms and Chaikovsky groups—at pouring out full tone on a rising line. "Dem Unendlichen" of the first-named and "At the Ball" of the last offered conspicuous examples. What was sometimes missing was a jolt of flashing, seizing personality—the fuel was there but not always the spark for combustion. In "An Sylvia," though the singer presented a fresh and smiling face to the audience, it was in Geoffrey Parsons' deliciously pointed rhythms that the music smiled most freshly (the pianist was on peak form throughout the evening).

In four of the *Nuits d'ete* cycle, Berlioz' and Gautier's kaleidoscope of romantic images and emotions tended to be pinned too long to a single expressive tone; no doubt the absence of an orchestra makes quick shifts of mood hard to render. After Miss Price's Rossini in the first half, capable but not really high-spirited enough, her success in a closing group of Obradors songs was a little unexpected. The timbre of the voice may have lacked Spanish sunshine, but now Miss Price's imagination was on the move—"Del cabello mas sutil" was beautifully turned, and in the flamenco-tinted "Chiquitita la novia" there was ability and the touch of flamboyance wanted for Rossini earlier. A word for Keith Crellin, violist in the two Brahms songs with viola obbligato: the impression "Gestillte Sehnsucht" left may have been as usual interminably gluey, but that was not the fault of his firm, poised line—nor that of Miss Price's.

RSC return to Newcastle

The Royal Shakespeare Company is to return to Newcastle-upon-Tyne next year for a six-week season from February 13 to March 25. This follows the company's first extended season there this year.

In 1978 the season is longer with, this time, 11 productions over six weeks. Six productions will be seen at the Theatre Royal, five at the Gulbenkian Studio attached to the University of Newcastle. Of the studio productions one has been specially mounted to receive its opening performances in Newcastle before being seen in London. The other ten productions come direct from the RSC's two Stratford theatres, the Royal Shakespeare Theatre and The Other Place. After Newcastle all the productions will become a major part of the company's new London season.

The six plays in repertoire at the Theatre Royal will be *As You Like It*, *Henry V*, *Henry VI parts 1, 2 and 3*, and *Coriolanus*.

The five smaller-scale productions (from February 15) at the Gulbenkian Studio are: Pam Gems' *Queen Christina*, John Ford's *'Tis Pity She's A Whore*, Paul Thomson's *The Lorenzaccio Story*, and David Rudkin's *The Sons of Light*.

Cambridge

Toad of Toad Hall

by CHRIS DUNKLEY

Even the first performance of this year's *Toad of Toad Hall* seemed to have a sort of patina on it, which is hardly surprising since the four leading roles of Toad, Mole, Badger and Water Rat are taken by the same four actors who played the parts last year: Ian Talbot, Richard Goolden, David King and John Warner.

The advantage of having such a practised cast is that they clearly know from past experience just which tricks and quirks appeal most to an audience of children. There is a satisfactory quantity of audience participation, of the Look out behind you! variety, and several moderately scary moments (in the secret tunnel on the way to attack the weasels and ferrets occupying Toad Hall, for instance) which are successfully relieved by humour.

Coming to the show for the first time, the surprise is to discover how faithful adaptor A. A. Milne was to Kenneth Grahame's original. Much is left out of the plot of the book, of course, but the elements which are left are almost pure *Wind in the Willows*. And a lot is left: there are 10 scenes in three acts, plus a prologue and epilogue, and two intervals—during which four ice creams will cost £1.

The youngest Dunkley (6) declared, quite unprompted, "My favourite is that tiny little old man called Mole," which suggests that the aura surrounding Goolden's famous history of performances in the role is not simply a sentimental adult cult projected on to children. Goolden's stamina at the age of 82 is astounding: once again this Christmas he is not only playing Mole daily at the Cambridge but also appearing every day in *Dirty Linen* at The Arts.

However, the outstanding performance is that of Toad himself. Ian Talbot not only combines the right characteristics of conceit, snobbery, bullying and likeable roguery, but also exudes a remarkably authentic amphibian feel. His greatest asset is a tongue which (by nature or nurture it is hard to know) appears to be longer, broader and much more manoeuvrable than anyone else's. It is a wondrous object.

EUROPEAN NEWS

EEC CURBS ON STEEL IMPORTS

Tighter internal price scheme agreed

BY DAVID BUCHAN

BRUSSELS, Dec. 20.

COMMON MARKET Ministers to-day built on last night's agreement for a new price protection scheme against steel imports, by adding the finishing touches to a tighter internal price regime for European steel. This includes extending compulsory minimum prices from January 1 to two additional steel products—merchant bars and coils—and, for the first time, requiring steel stockholders to obey these pricing rules.

Meanwhile, the EEC Industry Commissioner Viscount Etienne Davignon warned to-day that bilateral restraint agreements, which the Commission wants to complete by April 1 with all the Community's main suppliers, may prove difficult with Comecon countries and Spain. Eastern bloc countries were reluctant to provide adequate price and quantity information, while negotiations with Spain might be complicated by the politics of its application to join the EEC.

To fill the gap before bilateral agreements are reached, a minimum reference price—to be announced before the end of the year—will be set on steel coming into the Community. The Commission will place a penal duty on shipments sold below this minimum price.

Viscount Davignon was optimistic, however, that longer term agreements with EFTA steel suppliers, such as Sweden and Austria, could be reached quickly. Accords governing Japanese and South African steel imports already exist for next year.

Mr. Edmund Dell, the U.K. Trade Secretary, said to-day that the new curbs on steel imports—which he said were very akin to the U.S. trigger price proposal, at least in their first stage—would help the U.K. steel industry in general and the British Steel Corporation (BSC) in particular. He could not put a figure on how many steel jobs might be saved in Britain as a consequence, but said it would inevitably reduce some of the sector's appalling losses. He acknowledged that the extension of compulsory minimum prices to three widely-used steel products (reinforcing bars, merchants bars and hot rolled coils) and the plan to increase EEC guideline prices by 15 per cent. in 1978 would increase industrial costs and final prices for consumers. But against this had to be offset a probable saving in the current enormous state subsidies to the BSC, he said.

The first impact of the new steel plan will be felt to-day, as the Commission has cancelled all remaining steel import licences for the rest of 1977 with immediate effect. This is to prevent steel-makers trying to beat the deadline of January 1 when new licences, requiring more detailed information on prices from steel shippers, come into action. The new licences will be issued within the next 10 days.

Only one decision concerning the vital long-term restructuring of the ailing European steel industry has been taken this week. EEC member states have now agreed to hand over to the Commission next year some £20m. of the customs duties they levy on steel imports. The Commission wants to use this money to subsidise by up to 5 per cent. the interest on EEC loans to steel companies for modernisation and restructuring. Brussels officials argued that the only other way they could raise the necessary money was by increasing the existing EEC levy on each tonne of steel produced, but that many virtually bankrupt EEC steel companies could not afford to pay the extra.

Ushiba's trade foreboding

TOKYO, Dec. 20.

THERE IS a strong possibility that the U.S. might restrict imports from Japan if trade talks fail, Mr. Nobuhiko Ushiba, the External Economic Affairs Minister, said to-day.

The newspaper Nihon Keizai Shimbun quoted Mr. Ushiba as saying "the situation now is far more serious than at the time of the U.S.-Japanese textile negotiations in 1970."

Asked if such legislation would violate the General Agreement on Tariffs and Trade (GATT), Mr. Ushiba said: "Under the present circumstances, is there any country which will be sympathetic to Japan?"

Reuter

Japan expects few export cuts

BY DOUGLAS RAMSEY

TOKYO, Dec. 20.

THE BIG JAPANESE steel companies do not foresee any significant reduction in the tonnages they sell to the European Economic Community as a result of the Brussels decision on Monday to institute "basic" prices for incoming steel. Even though small exporters may see their market in the EEC collapse while the pricing system is enforced between January and March.

"Japan has maintained voluntary restraints to the EEC and the prices on shipments to European countries have not been criticised by our EEC counterparts," according to Mr. Hisao Kuzuoka of Kawasaki Steel.

Other officials in the Japanese industry have said that Japanese steel shipments to the EEC fell sharply after mid-summer because European prices made it unprofitable to sell there. In 1976, Japanese steel makers sold a total 1.6m. metric tonnes in the EEC. So far in 1977, shipments have run at about the same level and stood at 1.26m. tonnes at October 1.

But it is believed that sales in the present quarter have dropped significantly to the low levels attained in August and September (96,000 tonnes and 87,000 tonnes respectively). Moreover, the big six Japanese steel companies say that they will again observe the 1.22m. tonnes ceiling on their combined exports to the EEC, and actual shipments may be as low as 1m. tonnes.

The big steel companies anticipate that the EEC's basic prices will oblige all overseas suppliers to maintain some pricing discipline, especially on small bars and other steel products of special interest to small steel companies. Thus, it may hurt small Japanese producers, which are anyway making substantial losses on every tonne sold overseas, but may have no effect on the competitiveness of Japanese steel from the big six.

Deaths renew law and order issue in Spain

BY ROBERT GRAHAM

MADRID, Dec. 19.

AFTER lying dormant for several months law and order has once again begun to emerge as a major, and potentially divisive, political issue.

The Opposition parties of the Left, especially the Socialists, are determined that a full account of the death of two youths shot by security forces during violent demonstrations in Malaga and Teneriffe within the past three weeks be prepared and publicised as quickly as possible. The Government on the other hand appears anxious to let the dust settle and not to antagonise the security forces.

However, the Government's hand has been forced by the Socialists pressing for a substantial and immediate parliamentary debate, and employing a procedural technicality to obtain it. The debate is now scheduled for Thursday and Friday.

The Socialists intend to try to establish how and why these youths came to be shot by members of the security forces, and beyond this to discover what sort of guidelines the Policia Armada and the Guardia Civil are given for crowd control. There is a strong feeling that the old Francoist regulations governing their conduct are still applied even if some orders from the top have been passed down for a change.

The last time the issue came to the fore was at the end of August when a Socialist deputy was beaten up by police during a demonstration in Santander. This subsequently led to an angry debate in Parliament and calls for the resignation of Sr. Rodolfo Martin Villa, the Interior Minister.

The security forces for their part are reported to be genuinely perplexed by the problems of crowd control under democratic conditions. Trained to believe in the importance of the preservation of law and order, they clearly have difficulty in adjusting to a more liberal approach to crowd control, especially hostile and violent demonstrations. Moreover, although the public may expect them to behave differently, they are still equipped with the same weapons and anti-riot machinery they were taught to use under Franco.

The malaise provoked within the security forces by this situation was voiced last week by a high-ranking officer in the Guardia Civil, General Manuel Prieto Lopez. In a speech at Salamanca, in blunt terms he said that the Guardia Civil was in a very difficult position since it had no "intermediate" means at its disposal—in other words the temptation for the security forces to use guns was great.

Gen. Manuel Prieto was promptly dismissed from his command of the VI Guardia Civil region, based round Leon, at the week-end. His dismissal, apparently approved by the full Cabinet, has caused considerable dismay both within the Guardia Civil, where he was highly respected and where he was not associated with the more hard-line elements, and within the armed forces as a whole. He is reported to have received a large number of telegrams of support. The Government, although seeking not to alienate the security forces, has clearly antagonised them by this.

This combination of events has created a certain atmosphere of tension in the country. Significantly the liberal daily El Pais to-day carried what appeared to be an officially inspired editorial entitled "Society and the Army." The editorial appeared designed to bolster the position of General Manuel Gutierrez Mellado, the Defence Minister. "Gen. Mellado had the direct responsibility for dismissing Gen. Manuel Prieto and is the man seeking to transform the armed forces into a technical and non-political force."

Swiss hold terrorist suspects

BY JOHN WICKS

ZURICH, Dec. 19.

THE SWISS POLICE have arrested two people believed to be sought in West Germany on charges of terrorist activities. The Federal Ministry of Justice in Berne announced this afternoon that they are thought to be Willi Peter Stoll and Juliane Plambeck. There is a possibility, however, that the woman may prove to be Adelheid Schulz, who is also on the list of the 16 most-wanted terrorists in West Germany.

The man and woman concerned arrived at the France-Switzerland frontier at Fahy today in a car with a French number plate. They presented passports believed to be made out in false names, and customs officers asked them to enter the customs post. The women asked to use the toilet and, on being told she would first have to go through customs control, ran out shooting. Two customs officers were injured, one seriously, though both are off the danger list.

The alleged terrorists escaped in their own car, which they left in Porrentruy to change into a taxi. They were caught in a police road block, near Delsmont.

Adrian Dicks writes from Bonn: Even before the two had been identified late this evening, their arrest was being greeted here as a major step in the anti-terrorist campaign launched after the murder of Dr. Hanns-Martin Schleyer, just over two months ago.

Stoll is wanted for the murder of Dr. Schleyer and for the murders earlier this year of the Chief Federal Prosecutor, Herr Siegfried Buback, and of Herr Juergen Ponto, chairman of the Dresdner Bank—though his exact role in the latter case is not absolutely clear.

Plambeck, who escaped from a Berlin remand prison in 1976 with several other women, has already been charged with complicity in the murder of Herr Gustav Von Drenckmann, a Berlin judge, and in the kidnapping of the West Berlin politician, Herr Peter Lorenz, in 1975.

Positive identification of the two suspects in Switzerland would bring to three the number of alleged terrorists on the West German authorities' list of 16 to have been arrested. The list, naming the new hard core of the terrorist movement in West Germany following the suicides of Andreas Baader and his closest associates, was published immediately after Dr. Schleyer's murder. The first arrest of a person named on it was that of Christoph Wackernagel, held after a shootout with police in Amsterdam.

Meanwhile, another German terrorist seized by the Dutch police, Knut Folkerts, was to-day sentenced to 20 years for murdering a policeman in Utrecht in September. He, too, is suspected of complicity in the murder of Herr Buback.

New German pay claim

BY ADRIAN DICKS

BONN, Dec. 20.

A SECOND FRONT opened to-day in West Germany's war of words over next year's wage increases, when the leaders of the main public service unions announced that they will be seeking an average rise of 7.5 per cent. when formal negotiations for 1978 open in mid-February.

The demand follows claims ranging from 7 to 8 per cent. already made in different regions of the country on behalf of workers in the metal-using and engineering sector. In the North Wuerttemberg-North Baden area, the employers in the metal sector have already had to go to arbitration to settle a deadlock over piece rates, but in the North-Western region, progress was reported to-day over the difficult issue of wage guarantees.

The Government, with the strong backing of the Bundesbank, the economic institutes and much independent opinion, hopes to see wage increases kept to well under 5 per cent. next year, and is attracted by advice from its council of economic advisers suggesting they ought to be under 4 per cent.

It comes as no surprise that this year's chief negotiator for the state and federal government, Dr. Friedrich Halstenberg of the North Rhine-Westfalia cabinet, immediately called to-day's public services claim "essentially too high."

Barre calls for more economic discipline

By Robert Mauthner

PARIS, Dec. 20.

M. RAYMOND BARRE, the French Prime Minister, warned here to-day that it would take at least another two years to achieve a fundamental recovery of the French economy.

The coming year would be a crucial milestone. Either the French people would continue to behave in a disciplined way, as they had done this year, or the economy would decline rapidly.

The Prime Minister set four main economic policy objectives for 1978:

● A return to payments equilibrium and the maintenance of a stable exchange rate to ensure sustained economic growth.

● A progressive return to full employment.

● A lasting moderation of the rise in production costs and wages.

● A reinforcement of the country's industrial structure.

While appealing for renewed efforts to enable the Government's economic stabilisation policies to succeed, M. Barre painted a relatively rosy picture of what had been achieved during the year.

A recession had been avoided in spite of the slack international economic climate. GNP had grown by 3 per cent., as it had in West Germany, and industrial production had been maintained at a better level than in many other Western countries.

A special effort had been made to stimulate investments. In the public sector, investments had risen by 10 per cent. in volume, while private investments had risen by 1.3 per cent. compared with a fall of 12 per cent. in 1975.

Price rises had begun to slow down and had been held to below 10 per cent. and, apart from the very lowest paid, wage rises had not exceeded price increases. The purchasing power of wage earners had thus been maintained, in spite of the Government's restrictive economic policies.

The trade deficit had been substantially reduced since the end of 1976 when it had reached record levels, and within one year, exports had risen by nearly 14 per cent. in value, compared with an increase of no more than 8 per cent. in imports. The ceiling of Frs.55bn. set for oil imports in 1977 would be respected.

At the same time, the balance of payments deficit on current account would be reduced to Frs.15bn. this year, half that of 1976. The franc had remained stable against the basket of 19 other important currencies. The fact that it had appreciated substantially against the dollar had a very beneficial effect on the country's payments position, since all its oil and raw material imports were paid for in dollars.

The so-called perverse effects of the weakness of the dollar on the French franc-D-mark relationship were not as great as had sometimes been made out, M. Barre claimed. French imports from West Germany represented only 18 per cent. of total purchases from abroad and the bilateral trade deficit had been kept to about Frs.10bn. in spite of the appreciation of the D-Mark.

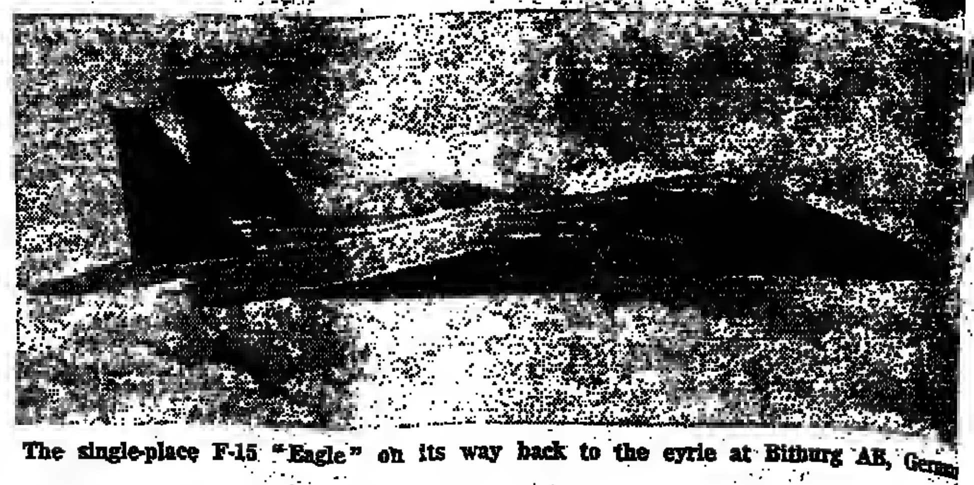
Portugal Bank chief warns on reserves

By Diana Smith

LISBON, Dec. 20.

IN THE face of deadlocks in the talks between Portugal's political parties, and dwindling prospects of a solution to the present Goverment hiatus before Christmas or even New Year's Day, the Governor of the Bank of Portugal has sounded a warning note on the state of the country's gold and foreign reserves.

Speaking on nationwide television last night, Sr. Jose Silva Lopes, revealed that gold and foreign exchange reserves now stand at $280m. This, he said, was enough to provide a breathing space for a few weeks but, if what he called "normal government" was not restored soon, Sr. Silva Lopes indicated there would be cause for grave concern.



The single-place F-15 "Eagle" on its way back to the eyrie at Bitburg AB, Germ

NATO AND THE WARSAW PACT

An aerial balancing act

BY REGINALD DALE, EUROPEAN EDITOR

HIGH IN the Eifel mountains above Trier, Brigadier General Frederick C. Kyler, swashbuckling commander of the Fightin' 36th, is happy as a sandboy. His newly arrived F-15 interceptors are, he is proudly convinced, the finest fighting aircraft in the world. "Give us the targets," he tells visitors with relish, "and it will be like shooting fish in a barrel."

From their Bitburg eyrie, the Eagles of the U.S. Air Forces' 36th Tactical Fighter Wing are poised to defend Western bases and troops if "the balloon goes up." Like many military men, General Kyler firmly believes that the Russians will attack as soon as they are strong enough to be sure of winning. They have not got that kind of superiority yet, but in the air, as on the ground and at sea, the balance has been shifting steadily in the Warsaw Pact's favour. In any future conflict the sophisticated Eagles are going to have their work cut out.

Over the last ten years, the Warsaw Pact air forces have increased by about 10 per cent. numerically, leaving the West outnumbered by roughly two to one. In NATO's key Central Region, the most likely main battleground in an East-West war, the Allies have about 1,400 tactical combat aircraft they could put into the air immediately, plus a further 800 that could be called on from the U.S., Germany and the U.K. Facing them, according to the latest Western estimates, are over 3,000 Warsaw Pact tactical combat aircraft in forward positions, another 1,000 in the Western USSR and around 500 medium bombers.

It is not the East's numerical superiority, however, that worries allied military experts. The main preoccupation at the vast Ramstein base that houses the headquarters of the Allied Air Forces in central Europe is the rapidly increasing offensive capability of Soviet air power, a capability that is backed by continual technological improvements. Until quite recently, Soviet strategy was based on the concept of an overwhelming land thrust, in which the Pact's inferior aircraft would be limited to local support of the army and defence of the battlefield and areas to its rear. Now, with the introduction of multirole aircraft such as the MiG 21 and the MiG 23, together with purely offensive aircraft like the SU 17 and SU 19, allied officers believe, could deal the West a severe initial blow from the air at very short notice. This they say, is "a change in strategy and doctrine which has serious implications for Nato."

Eastern tactical aircraft are growing increasingly capable of hitting targets in Britain and Western France from their home bases and more proficient in bad weather operations and electronic warfare. In the initial stages of a conflict, Western experts now believe, the Soviet Union would commit the bulk of its tactical air power to a large scale conventional attack on NATO forces, tactical nuclear installations and other ground targets like airfields. Defence of the battle area would be left initially to surface-to-air missiles and anti-aircraft artillery operated by ground forces, while defence of the rear would be left to the 1,000 or so fighters belonging to the air forces of East Germany, Poland and Czechoslovakia. Equally the West believes, advanced attack helicopters are increasingly taking over the task of close air support to ground troops, liberating more aircraft for other roles.

All this has major consequences for the way, and the area, in which a future European air battle would be fought. Until a few years ago, the West's expectation was that its air forces would be fighting behind the Warsaw Pact's lines with the East on the defensive. Now it is clear that the tables have been turned, or, as one officer put it in Ramstein last week: "the NATO policy of defence coupled with the strategic initiative we yield to the Soviets will increasingly force us, in the initial stage of war, to fight a defensive battle over our own airspace."

General William J. Evans, the American Commander of Allied Air Forces in central Europe, is

It is not the numerical superority of the Warsaw Pack countries which bothers NATO. It is their rapidly increasing offensive capability backed by technological improvements.

confident that the chances of the West's winning a conventional battle for air superiority with the Warsaw Pact remain "good" and will get better as Nato forces are modernised. He gives the West the edge in the quality of its aircraft and the skill and experience of its pilots. Other balancing factors cited by Nato commanders include the stereotyped tactics and rigid control system used by the Warsaw Pact, which tend to eliminate individual initiative. Eastern pilots on training missions do not deviate from pre-set flight paths, which makes their tactics easier for the West to anticipate. they fly less often than Western adversaries. The has doubts about the abili the different Warsaw Pa forces to communicate standard language, and poin that it is unclear how Moscow would feel itself ab rely on other Warsaw Pac forces if war broke out.

Nevertheless, General Eva worried about the incre vulnerability of the Allie airfields. Western airstrips being camouflaged, rapid re repair techniques are developed and soon all bases be equipped with con shelters. But General Evans that modern air forces ha get away from dependence fixed airfields. In future he a much greater role for and vertical take-off aircraft more use made of emerg strips, public roads and perhaps, rolls of nylon mat

Over at Bitburg, Ge Kyler is confident that no his cherished Eagles would vive a conventional attack if were caught on the groun has more cause to worry most as the other side has structed a full life-size m of his base in East Germ which is used for bom practice. The Americans Bitburg East. But his fig are widely dispersed in con shelters with special metal doors that could on prised open by a direct hi nuclear attack would be diffe But as the General says: " came to that, there would much air war left by then way."

Events publisher Salim el Lozi (right) meets President Sadat and Vice President Husni Moubarak (centre)

Two more deputies quit Turkey's ruling coalition

BY DAVID TONGE

ANKARA, Dec. 20.

TWO FURTHER deputies have resigned from the Justice Party of Prime Minister Suleyman Demirel bringing the total number to 12. They are challenging the leadership of the Justice Party, accusing it of allowing political violence to mount and the economic crisis to develop.

The votes of the 12, together with those of the opposition, could topple the present Right-wing coalition. But the opposition is delaying a motion of confidence until the course the 12 will take becomes clearer.

The 12 would like to see an end to the present coalition of the Justice Party together with the neo-Fascist Nationalist Action Party and the pro-Islamic National Salvation Party. One alternative is a Government of the opposition Republican People's Party supported by the 12. But the 12 have been insisting on their aim being: "to make the Justice Party, in whose greatness and philosophy be believe, the party of the nation and not of a limited number of people."

The possibility is thus growing that they will press for a coalition of the Justice Party, perhaps under a different leader, with the RPP. As with earlier political difficulties in Turkey the prospect is of a lengthy period with the Government hampered by its lack of support from taking any major initiatives to tackle the country's political and economic problems.

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Economists expect 4-5% growth rate next year

BY JOHN WYLES

NEW YORK, Dec. 20.

AFTER CAREFUL examination of the prospects for the U.S. economy in 1978, a broad range of economists is arriving at a remarkably consensual view of a steady growth rate of between 4 and 5 per cent., an unchanged inflation rate of around 6 per cent. and a fractional decrease in unemployment.

Most projections are based on a mid-year tax reduction of at least $20bn. and an increase in Government spending. Both of these factors raise a question mark against President Carter achieving his goal of balancing the Federal budget by 1981.

On tax cuts, the latest indications are that the President is deliberating on tax cuts of between $20bn. and $30bn., with some of his key advisers reportedly urging a reduction of $25bn. with about $8bn. benefit to business.

This is broadly in line with recommendations which the Business Council sent the President in October although the Administration is still considering how to structure the tax cuts. The overall aim is to step up corporate spending on new plant and equipment which most economists, according to a Business Week survey, expect to amount to little more than 6 per cent. in real terms next year. Salomon Brothers, however, stood outside the consensus on this point yesterday when the investment Bank predicted an 11 per cent. real increase in capital spending.

The argument within the Administration appears to be turning on whether to link a cut in the top corporate tax rate of 48 per cent. with an increase in the 10 per cent. investment tax credit.

However this is resolved, leaks from the White House suggest that the Administration will decide to allow business to offset up to 90 per cent. of its taxes with investment credit whose allowable purpose will be broadened from the present restriction on plant and machinery.

Companies cannot usually offset more than 50 per cent. of their taxes above $25,000 against the investment tax credit, presently.

Assuming that the overall tax advantages materialise by July, next year, economists surveyed by Business Week are expecting a stable growth rate of above 4 per cent. but not more than 5 per cent. next year.

This general agreement contrasts sharply with a more widespread pessimism which prevailed only two months ago when the momentum behind this year's estimated 5 per cent. growth rate was expected to slip and leave the economy with the prospect of less than 4 per cent. expansion in 1978.

Buoyant consumer spending is widely credited with fuelling the economic expansion and this is expected to be maintained next year, albeit at a slightly lower level than in 1977.

There is less agreement among economists about the possible money supply requirement to underpin the expected growth rate next year, which is partly the reason why so much attention is focusing on whether President Carter will appoint Dr. Arthur Burns to a fresh term as chairman of the Federal Reserve Board at the end of January.

While Dr. Burns has his critics among the monetarists, who believe the Fed has allowed too much growth in the money supply this year, economists, who attach more importance to other factors, question whether the Fed under his regime would display the necessary flexibility next year.

One potentially important political theme for 1978 could be the emergence of demands for an anti-inflationary strategy based on a prices and incomes policy.

There is concern that the U.S. economy is apparently locked into a 6 per cent. annual inflation rate and that this is too high a springboard for a possible slide into recession after 1978.

However, the rate of increase in consumer prices has slowed down recently and the Administration has stressed on a number of occasions that a prices and incomes policy has no part in its present calculations.

The most pessimistic forecasts for next year have been produced by Chase Econometrics Associates and United California Bank which foresee growth rates of 2.8 per cent. and 2.9 per cent. respectively.

Neither expects much of an advance in capital spending while United California argues that consumers' demand for durable goods has been satisfied while "a growing number of them are priced out of home ownership."

Guyana development controversy

BY OUR OWN CORRESPONDENT

GEORGETOWN, Dec. 19.

GUYANA is to seek to overcome the effects of its economic difficulties next year through more intense exploitation of its agricultural lands, forestry and fisheries, the Prime Minister, Mr. Forbes Burnham, has said.

He was speaking at a rally to mark the 13th anniversary of his government coming to power. In agriculture, the rice and sugar industries are to be diversified away from their dependence on single crops and industries subsidiary to them are to be developed by way of vertical integration.

In forestry, a $25m. forestry complex is to be developed by 1979 to double the sector's output. In fisheries, more trawlers are to be acquired to exploit the new 200-mile exclusive fisheries zone.

Mr. Burnham also unfolded plans for two major drainage and irrigation schemes which would benefit nearly 500,000 acres of prime agricultural land and cost more than $110m.

The bigger project, in the area of the Mahaica-Mahaicony-Abary rivers, is receiving two-thirds of its $72.8m. financing from the Inter-American Development Bank through a soft loan repayable over 40 years at 2 per cent. It is to be completed by 1982 and benefit over 400,000 acres. The first target is 115,114 acres involving 3,800 farmers.

The scheme which would start next year, has been on the drawing board since the mid-1950s, was refined under the People's Progressive Party regime (1957-64) and has become the bone of political contention in Georgetown between the opposition PPP and the ruling People's National Congress (PNC). The PPP has called for a balanced development of the project to give equal weighting between agriculture and industry, charging that the U.S. would want Guyana to remain an "agricultural appendage," while Trinidad became the industrial centre in the Caribbean.

The smaller scheme involves expansion of the Tapakuma project in western Guyana, to benefit 44,000 acres, and costing $40m.

Mr. Burnham chose the Black Bush Polder—another major land settlement scheme in eastern Guyana, started by the PPP—as the site for the rally, and it was evident that he was formally opening his campaign for elections due not later than October.

U.S. hopeful of progress on Vietnam

By Robert Mauthner

PARIS, Dec. 20.

TALKS by which the U.S. and Vietnam are seeking normalisation of relations between the two countries, and which were resumed here yesterday after a six-month interval, made good progress to-day, thanks mainly to important concessions by the Vietnamese.

The Vietnamese delegation led by the Deputy Foreign Minister, Mr. Phan Hien, announced that Hanoi would release the three crew members of the U.S. yacht Brillig, which was seized in October after allegedly violating Vietnamese territorial waters.

The Vietnamese also accepted a long-standing U.S. invitation to visit the U.S. identification laboratory in Hawaii, which a U.S. spokesman described as "a positive step" towards co-operation in tracing the 2,550 U.S. servicemen missing in action in the Vietnam war.

Since the talks began, the Vietnamese have returned the bodies of 53 Americans killed in action, but until to-day progress towards accounting for the thousands still missing has been slow.

The outcome of the latest round of discussions pleased the U.S. delegation. "We have found the entire continuing dialogue between the U.S. and Vietnam to be positive and constructive," the U.S. spokesman said.

He added that the two sides had agreed that further talks would be useful, and that they would meet again at a mutually convenient time and place.

The U.S. spokesman declined to give a progress report on the talks about one of the main stumbling blocks in the negotiations, the Vietnamese demand for $3.25bn. in financial aid. But it is understood that on this issue, some of the difficulties are less intractable.

The Vietnamese, who began by asking for war reparations (an unacceptable formula as far as the U.S. is concerned, because it would imply the acceptance of moral responsibility for the Vietnam war), are now using a more conciliatory formula. They have now started to employ the phrase "contributions towards healing the wounds of war and the reconstruction of post-war Vietnam."

After the lifting in September of the U.S. veto on the admission of Vietnam to the United Nations, and conciliatory gestures to-day by the Vietnamese, prospects of an overall agreement on a normalisation of diplomatic and economic relations are considered to be much brighter.

Republicans may split over Panama Canal pact

BY DAVID BELL

WASHINGTON, Dec. 20.

THE REPUBLICAN Party in the U.S. appears to be in danger of splitting openly over whether the Panama Canal treaty, which is fiercely opposed by the right wing of the party, should be ratified.

The Right, led by Mr. Ronald Reagan, the former governor of California, and others, has been pressing the party openly to disavow the treaty on the grounds that it represents a craven surrender by the Carter Administration of territory which rightfully belongs to the U.S.

(A current car bumper sticker reads: "To-day Panama. To-morrow Taiwan.")

Mr. Reagan to-day angrily attacked the leadership of the party for refusing to sanction spending for a "caravan" which would tour the country on behalf of the party carrying an anti-treaty message. Mr. Reagan said that the party had allowed his name to be used for fund-raising, but was now refusing to use the money for the purpose for which it was raised.

Worse still, he went on, the Republican Party has no plans to oppose the treaty, whereas it ought to be throwing its full weight behind the rejection of the agreement. Mr. Reagan said that he would not allow his name to be used on any more solicitations for funds and promised to take further action.

The Panama issue presents moderate Republicans with an acute dilemma. The former President, Mr. Gerald Ford, whom Mr. Reagan nearly beat for the presidential nomination last year, has already come out firmly in favour of the treaty. So has Dr. Henry Kissinger, the former Secretary of State, and a small number of senators.

But other Republicans, particularly those with presidential ambitions, are torn between supporting the treaty and incurring the wrath of the powerful right wing, and rejecting the pact and seeming to ally themselves too closely with the right wing. Mr. Reagan and the forces he represents have a powerful grip on the grass roots of the party, but their views have much less support in the country as a whole. Republican experts readily admit that the party cannot afford to be tarred to any great extent with a right wing brush.

The Panama Canal presents a particularly difficult problem for two party hopefuls. One is Senator Howard Baker, the Senate minority leader, who is now running hard for the party's 1980 presidential nomination. He has so far sat resolutely on the fence, but he has been inundated with a flood of letters, fully orchestrated by the right wing of the party. Mr. Baker may well wish that it were a secret vote.

The other potential candidate is Senator Robert Dole, the unsuccessful vice-presidential nominee of last year. He is further to the right than Mr. Baker, but is also shrewd enough to know that outright opposition to the treaty would harm his image in the nation as a whole. Thus, he has insisted on more information before making up his mind, and sought to muddy the waters by alleging that one or more of the Panamanian leaders may have been involved in the past in a drug-smuggling ring.

N-pressure on S. Africa

BY OUR OWN CORRESPONDENT

WASHINGTON, Dec. 20.

THE CARTER administration was reported to-day to be threatening to cease nuclear co-operation with South Africa unless the Pretoria Government agrees to sign the 1968 treaty intended to curb the spread of nuclear weapons.

The State Department to-day would not confirm the reports, but it is understood that the U.S. has sent South Africa a note in which it has said that it is prepared to co-operate with the regime in the future if, in return, the South Africans will agree to adhere to much stricter international controls on their nuclear programmes, as laid down in the treaty.

It appears that the U.S. has told Pretoria that, unless it reaches a decision soon, the U.S. will be forced to curtail its 20-year nuclear co-operation programme with the South Africa Nuclear Energy Authority.

Previous Administrations, which also urged Pretoria to sign the treaty, have stopped short of threatening to end U.S. co-operation, for fear that it would further encourage the South African regime to go it alone. But the belief that the South Africans are now close to making their own weapons, reinforced by the fact that apparent test facilities in the Kalahari Desert, detected in August, have not been dismantled despite international pressure—has decided the Carter Administration that the time has come to take a stronger line.

Also at stake is a U.S. contract to supply nuclear fuel to two new reactors, which are not due to come into operation until the early 1980s. The Administration has made it clear that it is prepared to consider breaking this agreement, although, in July, the State Department indicated to a Congressional committee that the U.S. would think carefully before breaking such a commitment.

Canada S. Africa rift 'not serious'

BY JAMES SCOTT

TORONTO, Dec. 20.

CANADIAN BUSINESSMEN to-day argued that their Government's decision to withdraw support for trade with South Africa was unlikely to have any serious affect on trade between the two countries.

But in South Africa, several local business and labour leaders condemned the Canadian Government's move.

Mr. Don Jamieson, the Canadian External Affairs Minister, told Parliament yesterday that the Government would be withdrawing its commercial consuls in Johannesburg and Cape Town and would withdraw all support given by the Government's Export Development Corporation to companies trading with South Africa.

He said this was part of a new Canadian policy against apartheid and the Government would be preparing a code of ethics for companies operating in South Africa.

Canadian businessmen to-day viewed the action as very much of a political gesture for domestic consumption, in view of the growing pressure from Church groups and the Press over the slowness of the Government to take steps that would have some effect on South African policy.

Canadian exports to South Africa, mainly trucks and tractors, motor vehicle parts, and sulphur, fell to $98m. last year from $143m. in 1975, while imports from South Africa fell to $140m. from $223m. in 1975.

Bernard Simon adds from Johannesburg: Condemning the Canadian move, Mr. Koos Van Eeden, President of South Africa's Association of Chambers of Commerce, said that "trade restrictions can only reduce South Africa's capacity to improve wages and living conditions for the rapidly growing black population, which is suffering from increasing unemployment."

Mr. Paul Penzhorn, director of the National Development and Management Foundation, argued that the Canadian Government's decision could create a counter-productive backlash.

Iran 'may be source of 90% of oil imports'

By Martin Dickson

AT A TIME of mounting international pressure for a mandatory oil embargo against South Africa, a report was released in London yesterday claiming that Iran now appears to supply about 90 per cent. of South Africa's crude oil imports.

The report, issued by the Haslemere Group, an independent ginger group, is based on an analysis of the movement of 258 tankers between oil producing states and Durban over the first 10 months of this year, as recorded by Lloyd's. Durban handles most of South Africa's oil imports.

The Haslemere group believes that around 90 per cent. of South Africa's crude oil comes from Iran and says that the remaining 10 per cent. appears to originate from countries which claim to operate an embargo against South Africa.

On the basis of very limited data, it tentatively suggests that Oman might provide 5 per cent. of South Africa's oil and Abu Dhabi, Indonesia, Qatar and Bahrain about 1 per cent. each.

PESSIMISM ON JAPANESE GROWTH

Doubts over official target

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, Dec. 19.

JAPAN'S economic growth rate in fiscal year 1978 (starting in April next year) could be barely more than 4 per cent. and is unlikely to exceed 5.5 per cent., according to several economic forecasts published by private research agencies in the past few days. The private forecasts provide a stark and depressing contrast with the Government's announced target of a 7 per cent. growth rate for next year.

The forecasts so far published range from the Mitsubishi Research Institute's 4.1 per cent. (on the assumption that the Government undertakes an "ordinary" economic stimulus policy) to the same institute's 5.4 per cent. forecast (if "extraordinary" measures are taken) to forecasts by the Japan Economic Research Centre (JERC) (4.4 per cent.), the Nomura Research Institute (4.6 per cent.) and the Research Institute of National Economy (4.7 per cent.).

The forecasts also take issue with the Government on prospects for the current year. JERC, for example, predicts a 4.7 per cent. real growth as against the Government forecast of 5.3 per cent., itself a downward revision from the original official target of 6.7 per cent.

The JERC forecast for 1978 is based on the assumption of a Y34,200bn. general account budget, up just under 20 per cent. on the current year's budget and roughly the amount the Government actually seems to be planning for. But it assumes "no change" in other areas such as bank rate, taxation levels and the current yen-dollar exchange rate.

Better

Any favourable change in these other factors could, of course, produce a slightly better performance than the one predicted by JERC—for example, a further bank rate cut which is now widely anticipated for early next year might have a marginally stimulative effect on the economy. This does not alter the fact that neither JERC nor any private agency seems to believe that there is any action open to the Government which could conceivably bring the economy within reach of a 7 per cent. growth rate next year.

One reason why the prospects for 1978 are dim is that the foreign sector of the economy, that is, the surplus on current account, will be making a negative contribution to overall growth after three years of contributing considerably more than its fair share. In fiscal 1976 1.6 out of a total of 5.7 percentage points of GNP growth came from the foreign sector, while this year, according to JERC, the foreign sector should be contributing 0.9 per cent. to overall GNP growth of 4.7 per cent. Next year the Research Centre puts the net overseas contribution to total growth at —0.1 per cent.

The negative contribution of the foreign sector to overall growth next year will be the result of a cut in Japan's current surplus from the extremely high level now expected for 1977. The cut will be a fairly modest one, in JERC's view, and will not reach the point where Japan's trade partners feel that the Japanese trade problem has been "solved."

JERC thinks that the trade surplus in fiscal 1978 will come down to $16.6bn. from this fiscal year's anticipated level of $18.2bn. It puts the 1978 current account surplus at $8.6bn., compared with the current years' $11bn. The reduction will be achieved by cutting back the growth rate of Japan's exports next year to less than the growth of imports (8.3 per cent. versus 10.7 per cent.).

Projections

JERC's other projections for 1978 include a 2.2 per cent. rise in private investment (up from 0.5 per cent. this year and considerably less than what the Government seems to be expecting) and a 7 per cent. increase in wages. Capital formation by the Government, according to JERC will rise 16.1 per cent., but the public sector of the economy in Japan is too small for this to be likely to swing the economy towards general recovery.

New Indian industrial policy will benefit small-scale enterprises

BY K. K. SHARMA

NEW DELHI, Dec. 20.

THE JANATA Government's new industrial policy, expected to be presented to Parliament on Thursday, will lay stress on what is called the "tiny" sector, which includes units with a capital investment of less than Rupees 100,000 (about £6,500). Some 400 goods are to be reserved for production by the small-scale sector as a basis of the policy for creating more employment opportunities.

Foreign investment will continue to be allowed on a selective basis and be limited, unless unavoidable, to technological collaboration arrangements. Foreign equity participation, when permitted, will normally be limited to 40 per cent.

The large and so-called "monopoly houses" in India will be allowed to expand under strict Government control in export-orientated areas, or in undeveloped and remote parts of the country where entrepreneurs are reluctant to go. Such expansion is intended to encourage balanced regional development but the large companies will not be allowed to develop at the cost of small-scale industry.

Public sector investment will continue to be confined to the high investment sectors like steel, petroleum, mining and strategic areas, but is expected to be limited since resources are to be diverted to agricultural development and small rural-based industries.

District organisations are to be set up to promote small industries, with the assistance of the Government which will provide, among others, finance and raw materials. Production of as many items as possible is to be encouraged in small, cottage and rural industries.

To induce industry to move from towns and cities no further factories will be permitted in urban concentrations of 500,000 and more. Financial aid is proposed for companies that agree to move to under-developed areas.

The working clases are also to be promised both higher incomes and representation in management at all levels, including boards of directors.

Nyerere and Kaunda 'in angry exchanges'

By Michael Holman

LUSAKA, Dec. 19.

IN SPITE of a public declaration of unity by African front-line states following their meeting in Mozambique over the week-end, the Zambian Press to-day claimed that angry exchanges involving President Kaunda, President Nyerere of Tanzania and the co-leader of the Patriotic Front, Mr. Joshua Nkomo, took place during an adjournment.

According to reports in the Government-owned Daily Mail and the Times of Zambia, there were two rounds of talks in Beira lasting 2½ hours and 90 minutes.

"During the adjournment tempers clearly ran high," says the Times. "President Kaunda and Dr. Nyerere . . . seemed to disagree on some issues in the presence of the Press." According to the Mail, at one point Dr. Kaunda stormed out of the conference hall . . . leaving President Nyerere . . . furiously tapping his stick in his palm."

Mr. Nkomo is quoted as saying: "I am not a kid if I have refused," apparently referring to an exchange which had taken place during the first session.

On one occasion, said the Mail, "Dr. Kaunda . . . seemed very angry and wanted to leave for Zambia," and a Zambian official "had to pacify him for about 10 minutes before talks resumed."

Commenting on the summit in its editorial, the Mail to-day says that the most important outcome "is that it recognised the importance of the unity of the front-line states and the fact that the Patriotic Front must initiate all moves on Rhodesia."

Indonesia frees 10,000 of its political prisoners

BURU ISLAND, Indonesia, Dec. 20.

INDONESIA to-day released 10,000 of its political prisoners, including 1,500 who sailed to freedom from this remote penal island after 12 years of detention without trial.

The prisoners, who were forced to grow their own food in the swamps and jungles of this tropical island in the Moluccas, over 1,200 miles from Jakarta, were given new clothes and leather shoes and put on board two warships.

Their departure for Surabaya, Java, was the most dramatic part of President Suharto's programme to erase the memory of a bloody but abortive Communist coup 12 years ago. Over 500,000 people died in its violent aftermath.

The release of the 10,000 alleged hard-core Communists and sympathisers, could help improve Indonesia's ties with Communist countries.

A further 20,000 prisoners remain in camps throughout the country, but the Government has promised to release them within two years.

An official ceremony to mark the release at a detention camp in Tanjung, Kasau, North Sumatra, was watched by Admiral Sudomo, the national security chief, and foreign diplomats, except representatives of Communist countries who refused to attend.

All of the prisoners pledged loyalty to the Government of President Suharto and denounced the Communist ideology. Brigadier General Ismael, the military commander for Sumatra, told them that they should be ready for questioning "when and if it is deemed necessary by local authorities."

Reuter

Pro-apartheid Minister attacked

By Kenneth Randall

CANBERRA, Dec. 20.

TWO MEMBERS of the new Australian Cabinet to-day rejected pro-apartheid views of the Government's most junior Minister, Senator Geoister Sheil, a National-Country Party member from Queensland, who was named yesterday as Minister for Veterans' Affairs.

Senator Sheil, a strong supporter of the South African and Rhodesian Governments, was reported this morning as favouring the introduction of apartheid to Australia "if the aborigines wanted it."

He said later that this was an incorrect quotation, but that Australia "could learn a lot" from South Africa

Mr. Peacock issued a terse statement to-night: "Amidst the exhilaration of his appointment to the Ministry, Senator Sheil is quoted as making remarks about apartheid I simply restate the Government's policies towards southern Africa have not changed. Nor are they about to change."

Mr. Ian Viner, the Minister for Aboriginal Affairs, who was elevated to the Inner Cabinet yesterday, issued a similar statement.

Senator Neville Bonner, a Liberal Party member and the only Aboriginal in the Australian Parliament, said he would protest to the Prime Minister if Senator Sheil continued to make pro apartheid statements.

Park reshuffles Cabinet

SEOUL, Dec. 20.

MR. PARK CHUNG-HEE, the South Korean President to-day reshuffled his Cabinet creating a new portfolio for energy and resources and appointing a new Defence Minister.

Among seven changes in the two-year-old Cabinet, General Ro Jae-Hyun, chairman of the joint chiefs of staff, was appointed Defence Minister, replacing Mr. Suh Jyang-Chul.

The new post of energy and resources went to Mr. Chang Yie-Joon former Minister of Commerce and Industry. Prime Minister Choi Kyu-Hab and deputy premier Nam Duck-Woo retained their positions.

Mr. Chang was replaced by Mr. Choi Kak-Kyu, the Agriculture and Fishery Ministry and Mr. Chang Duck-Chin, vice-minister of Economic Planning, became Minister of Agriculture and Fishery.

Reuter

Iran earthquake

A powerful earthquake struck south-east Iran in the early hours of yesterday morning. Preliminary estimates put the number of dead at more than 300, and injured another 500, writes Andrew Whitley in Tehran.

Measuring 6.2 on the Richter scale, the earthquake struck rural parts of Kerman province, around the town of Zarand. Several villages are known to have been flattened.

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ELECTIONS IN SUDAN

Broadening the one-party membership

BY JAMES BUXTON, RECENTLY IN KHARTOUM

ELECTIONS in single party states do not usually affect policies in the way they do in multi-party countries, but the forthcoming assembly elections in Sudan, which President Jaafar Mohammed Nimeiri announced officially last week, promise to be rather different.

Although all candidates must stand as members of the Sudan Socialist Union, many are likely to be fielded by Right-wing parties which are officially banned but which are now in the process of negotiating a rapprochement with the government. What form this rapprochement actually takes may well depend heavily on how well these candidates fare in individual constituencies against the old established SSU members.

The rapprochement dates from July this year when President Nimeiri held secret talks at Port Sudan with Sadiq el Mahdi, leader of the loose coalition of Right-wing opposition parties known as the National Front. A very bloody attempt by the Front to overthrow Nimeiri with the help of Libya and Ethiopia failed 12 months earlier in July 1976. The Port Sudan meeting set in train a process of reconciliation which included a gradual release (now complete) of those National Front supporters jailed with or without trial (involving nearly 4,000 people) and culminated in the return to Khartoum by Sadiq el Mahdi and a group of close followers at the end of September.

The reconciliation involved some swallowing of words on each side (Sadiq and several of his followers had been sentenced to death in absentia) but offered considerable immediate benefits. The regime was able to relax the vigilance which was putting increasing strain on the army and security police, and could hold out the hope to potential investors of greater political stability. The opposition groups gained the possibility of influencing events in Sudan through the Government: the chances of staging a successful uprising against the regime had anyway come to look very remote.

Now the two sides are trying to agree a course of action which will satisfy all factions and allow the reconciliation to survive. It means taking into account a far larger spectrum of views—the right having been effectively ignored and repressed over the past seven or so years. Sadiq el Mahdi's own group, the Umma Party is a partly sectarian organisation which has traditionally looked away from a close relationship between Sudan and Egypt (something which has increasingly been the basis of President Nimeiri's foreign policy). Another group, the National Unionist Party (NUP) favours closer ties with Egypt. The third group is the Muslim Brotherhood. All three seek a return to greater Islamic traditionalism and back current Government moves towards "Islamicising" the country's laws.

President Nimeiri and Sadiq el Mahdi have established surprisingly good personal relations and appear to have agreed on several policies in general terms to form the basis of a reconciliation agreement. They include the annulment of coercive legislation, a revision of the constitution to give more powers to an elected assembly, a change in the structure of the SSU to make it an umbrella organisation embracing a wider range of opinion, and a review of specific Government policies in such fields as local government. Both parties seem to envisage a system allowing greater democratic freedoms but stopping short of the right to form separate political organisations.

The Sudanese Right-wing is negotiating an understanding with the ruling Socialist Union of President Nimairi. But many problems remain to be solved.

The next stage is for each side to sell these points to its supporters. Many in the political structure President Nimeiri has created have a vested interest in the continued existence of the SSU in its present form. There may be opposition groups in the army. In the Christian and animist Southern Region there is considerable concern about the return of the Right-wing Islamic groups.

Sadiq el Mahdi has problems too. The National Front has never been a very cohesive body and one of its leaders, Sherif el Hindi, has stayed in exile since Sadiq went back to Khartoum and represents a kind of rejectionist front. The Umma Party itself is said to be unhappy about the secrecy surrounding the talks with the President. And Sadiq himself was embarrassed by President Nimeiri's fulsome support for President Sadat's trip to Jerusalem, which appeared to run counter to understandings between the two men on future foreign policy.

The elections, whose results will be known early in February, should reveal the relative strengths and bargaining positions of the SSU and the National Front, and determine how the reconciliation is formalised. One question is whether Sadiq, who was Prime Minister of Sudan twice before Nimairi came to power, will resume the post (now held by Nimairi): it is perhaps more likely that he will stay in the background while some of his supporters join the Government.

The reconciliation has unearthed some potentially explosive issues which were previously kept buried. But the chance of a more representative government being formed promises greater political stability, which is good news for the Arab and Western investors who have poured funds into the country since the 1973-74 oil price rise. These businessmen are concerned, however, that the concentration on political issues is diverting the attention of both government and opposition from the critical short term economic situation. Government spending has shot up in the past year, leading to a larger budget deficit and a widening balance of payments deficit.

Exporters are finding it harder to obtain credit. Short term funds to meet the deficit appear to have been offered by both the IMF and by Saudi Arabia, but on condition that drastic economic measures be taken, which would include some form of devaluation of the Sudanese pound and reduction in government spending. Both government and opposition appear to believe that such steps, which would certainly be unpopular, will be easier to take when the reconciliation is complete. The danger is that by that time the confidence of investors will have been shaken so much that many of the advantages of the political stability will be wasted.

WORLD TRADE NEWS

W. German motor output ahead as exports surge

BY GUY HAWTIN

FRANKFURT, Dec. 20.

THIS HAS been a vintage year for West Germany's car manufacturers, who have just reported another month of heavily increased production. It has, however, been a different story in the commercial vehicle sector where output levels have moved steadily downwards.

At the root of the commercial vehicle builders' problems is a large 7 per cent. decline in exports. This is primarily a result of reduced overseas bookings of heavy commercial vehicles.

While strong domestic sales have been the main motor for growth in the car and estate vehicle sector, export demand has also shown a useful expansion.

Total car and estate vehicle output in the first 11 months of the year was up 7 per cent. from 3,272,940 units in the comparable period of 1976 to 3,786,400 units. Exports increased by 6 per cent. from 1,664,432 units to 1,762,500 units.

On the other hand, commercial vehicle production during the 11 months has fallen back by 2 per cent. from 294,755 units to 289,200 units. This is a direct result of the decline in exports from 184,610 units to 172,100 units.

November's statistics—published by the Verband Der Automobilindustrie (VDA), the West German motor industry association — show that the months' total motor vehicle production moved ahead by an average 8 per cent. to 381,000 units.

Car and Estate vehicle output increased by 9 per cent. compared with November last year to 352,800 units, while commercial vehicle production stood at 28,200, more than 1,300 units fewer than in the same month of 1976.

The VDA commented that domestic demand in the car and estate vehicle sector remained lively in November. Furthermore, export shipments rose by 9 per cent., compared with the returns of the same month of 1976, to 214,100 units.

There was, however, only cold comfort for the commercial vehicle sector to derive from the news that November's output had risen by 7 per cent. against October's low production rate.

The best the VDA could say of the sector was that domestic bookings showed some improvement. Against this, exports had "noticeably weakened" in comparison to November last year.

● Japan's vehicle production rose to a record 792,558 in November, up 4.8 per cent. from 755,910 in October and 12.2 per cent. from 706,445 in November last year, the Japan Automobile Manufacturers Association said.

The previous monthly record was 784,366 in September this year, it said. Brisk November production was attributed to increasing exports and domestic sales. The total comprised 512,735 cars, up 13.9 per cent. from November last year, 275,931 trucks, up 9.3 per cent. and 3,892 buses, up 4.1 per cent., it said.

Venezuelan rail award imminent

A French consortium led by STE Generale de Techniques et d'Etudes (SGTE) and CIMT Lorraine is awaiting a decision on whether or not it has won a contract to supply rolling stock and other equipment for the planned Metro underground railway at Caracas in Venezuela, a SGTE spokesman said.

The group was told last March its offer worth 985m. bolivars was the lowest received in the tender for the contract.

"We had expected to get the final decision before the end of this year but it seems we shall have to wait till 1978," the spokesman added.

Reuter

Sleepers for Egypt

An order for steel railway sleepers worth £2.25m. has been awarded to the Workington Works of the British Steel Corporation by Egyptian railways. It was won in competition with Indian, French and Japanese manufacturers. Production of the sleepers at Workington Works, Cleveland, made from steel produced on Teesside, will start in a few weeks and deliveries will be completed by the middle of next year.

Seaway tariffs

Canadian shipping interests have been taken aback by the announcement made in Ottawa and Washington that agreement had been reached between Canada and the U.S. on a revised joint seaway tariff of tolls. Canada and the U.S. have agreed to double St. Lawrence tolls over a three-year period rather than in a lump sum as had been planned. To attain the new rates 50 per cent. of the increased amounts will be applied at the start of the 1978 navigation season, 75 per cent. at the start of the 1979 season and 100 per cent. at the start of the 1980 season.

Boeing order

Singapore Airlines (SIA) is buying two Boeing B747-200 aircraft for deploying on the airline's proposed trans-Pacific service to the U.S. through Hong Kong and Honolulu. The two aircraft, costing a total of $122m., including spares and spare engines, will be delivered in August and September, 1979. The choice of engines has yet to be made.

Scrap exports

Interim arrangements for licensing exports of non-alloy ferrous scrap to countries outside the Community, announced by the Department of Industry on October 3, will be maintained until further notice and applications will continue to be considered from all exporters providing evidence of firm orders. This method of licensing will apply to all grades of non-alloy ferrous scrap.

Dunlop-Ivory Coast

A £2m. contract to supply the Ivory Coast with sprinkler systems and overground pipeline has been won by Dunlop Irrigation Services. The contract, with HVA Enco, Amsterdam, is for one of six sugar cane developments being set up by the Ivory Coast Government. Dunlop Irrigation Services will assist with the manufacture, design and installation of the equipment, offering a complete irrigation technical consultancy service.

Head Wrightson

The mechanical equipment division of Head Wrightson Teesdale has received an order valued at approximately £1m. for two rotary steam tube dryers for drying acid crystals for the new terephthalic acid plant of ICI Petrochemicals Division at Wilton. The order was received from Foster Wheeler, Reading, main contractor for the project.

Norconsult £100m. phone deal

BY FAY GJESTER

OSLO, Dec. 20.

A/S TELEPLAN, a Norwegian company belonging to the Norconsult Group, has landed a contract worth nearly Kr.1bn. (£104m.) to plan and supervise the expansion of Saudi Arabia's telephone network to 700,000 lines, from the present 200,000.

The three-year contract is claimed to be the largest single job ever won by a Norwegian consultant. Companies delivering equipment for the project include Sweden's L. M. Ericsson, Phillips of Holland, and Bell of Canada.

Teleplan has worked in Saudi Arabia previously, and its director, Jorgen Longem, has lived there for many years—a factor which probably helped the company to win the contract against keen competition from major international companies.

The consultancy package comprises a contract worth Kr.110m. (concluded previously) for general planning of the project, plus a Kr.300m. two-year contract for detail planning and a Kr.400m. three-year supervisory contract.

On top of this come options for extra contracts, which will raise the total sum to about Kr.1bn. One of these projects concerns provision of telecommunications facilities for a Saudi Arabian news agency, where Teleplan would use United Press as a sub-contractor.

Teleplan employs about 220 people at present, all but 40 of them outside Norway. To cope with the Saudi Arabian job, some 100 new staff will be employed. Drawing offices will be opened in the U.K. and the Philippines, where labour with the necessary skills is "relatively cheap," Mr. Longem said.

In addition, because of its supervisory function, the company will have to open offices in the home countries of the three supplying companies—Sweden, Holland and Canada.

Keen competition for Norway order

BY OUR OWN CORRESPONDENT

OSLO, Dec. 20.

THE NORWEGIAN Oil Directorate's approval of plans for Statfjord B, the second production platform on the Anglo-Norwegian Statfjord oil and gas field, will signal the start of keen competition for the contracts to build the various sections of the structure, expected to cost a total of about Kr.7bn. (£729m.).

With Norway's shipyards and heavy engineering industry desperately needing new orders, it will be almost impossible politically for the Norwegian Government to allow much of the work to go abroad, though some reports suggest that the operating company, Mobil, would like to have the platform's steel deck built in Germany.

The concrete base is almost certain to be built in Stavanger.

Statoil, Norway's State oil company and a leading partner in the Statfjord group, said yesterday that it hoped Norwegian companies would supply over 60 per cent. of the platform and equipment.

The group of companies developing the field have taken a year to revise plans for Statfjord B, after the Oil Directorate rejected their first proposals on safety grounds. The directorate wanted two platforms built—one for accommodation and another for drilling and production.

At a meeting yesterday, however, it agreed to allow the incorporation of crew accommodation on the drilling-production platform, in view of changes in the platform's design, intended to increase safety. The directorate made one reservation—plans for evacuation facilities must be improved.

Japan ore imports plan

TOKYO, Dec 20.

JAPAN plans emergency imports of up to $110m. worth of non-ferrous metal ore, as part of its import-boosting measures, according to Finance Ministry officials.

The ore imports would include some 60,000 tonnes in metal content of copper and zinc and around 30,000 tonnes of alumina and bauxite, the officials said.

The imported ore is expected to be refined into metal at Japanese smelters for stockpiling purposes. Reuter

Polish-Soviet trade pact

BY CHRISTOPHER BOBINSKI

WARSAW, Dec. 20.

A POLISH-SOVIET trade agreement for 1978 signed here recently foresees a mutual trade turnover next year of Roubles 6.7bn., a 17 per cent. increase on this year's planned total.

No details of the relationship between import and exports were given.

The Soviet Union will export around 13m. tons of oil, 6.5m. tons of iron ore, 2.5bn. cubic metres of natural gas and 100,000 tons of cotton to Poland.

Polish raw materials exports to the Soviet Union will include coal, sulphur and coke, but details of the quantities were not made public.

Some 30 per cent. of total Polish exports got to the Soviet Union, and 53 per cent. of the turnover, in machinery and equipment will come from co-operation and specialisation agreements.

Among the consumer goods, the Soviet Union will export to Poland are 13,000 Lada, Volga and Yzaporozec motor cars. Also planned for 1978 is intensive development of co-operation in the air and computer industries between the two countries.

EEC sherry decision delayed

BY KENNETH GOODING

THE EUROPEAN Commission has postponed for three months — until March 1 — decisions which could have far-reaching effects on the sherry trade.

The preferential treatment given to sherry from Spain, Cyprus and South Africa was due to end on New Year's Day. The inevitable outcome would be increased prices in the U.K. and potential disaster for the Cyprus sherry trade in particular.

The Commission wants the price of sherry from the various countries to match the "reference" price for liqueur wines.

But the U.K. Ministry of Agriculture has been arguing in Brussels that sherry is unique, and no comparable product is made within the Community. Therefore the reference price should be removed.

If that cannot be agreed, the British insist, then the reference price should be reduced considerably so that sherry can compete on an equal footing with Community-produced fortified wines.

The U.K. sherry traders say that the reference price is roughly double the price at which fortified wine of EEC origin is being traded by countries within the Community.

The main opposition to the British viewpoint has come from the Italians and the French. Italy, in particular, has made major gains with its vermouths at the expense of sherry in the U.K. in recent years.

KENYAN TEXTILES

Dumping threatens a young industry

BY JOHN WORRALL IN NAIROBI

KENYA'S young textile industry is moving into a serious crisis. The ten major mills are facing an inexorable flood of dumped imports, including factory rejects, and second-hand clothing garnered from the jumble sales of Britain and America.

Thousands of tons of textiles are being actually smuggled into the country. Documentation shows through destinations in Zaire, Rwanda, Burundi or even Uganda, but goods are unpacked somewhere down the line and shunted off into Kenya.

One big textile mill has been forced recently to close and others may be in danger. All this is in spite of quite heavy new duties (including 100 per cent. on used clothing) imposed by the Finance Minister, Mr. Mwai Kibaki, in his last budget.

Textiles are Kenya's youngest and biggest industry, employing thousands of people. Large sums of money and some very high hopes have been invested.

Some £35m. is earmarked for the industry in the current development plan.

A shiver went through the industry when the £17m. Nanyuki textile mills recently closed down. Its 1,200 African employees have been given a month's leave with pay. The major lenders, the Kenya Industrial Development Bank and the East African Development Bank, have appointed a receiver under the terms of their respective loans. They have also appointed a firm of independent management consultants to undertake an investigation.

The mill management blamed the crisis on clothing imports flooding into the country, compounded by the high price of cotton. But the Minister of Commerce and Industry, Mr. Eliud Mwamunga, has pointed to a technical weakness in the mill. It had begun life with second-hand Germany machinery which is now out of date because spares are not available.

Protection

But the main problem seems to be lack of proper protection for the young industry. All mills agree on this, and the Government is also coming round to this view.

The managing director of Rivatex textile mill at Eldoret, Mr. Edouard Seroussi, threatened last June to lay off 1,300 workers if something was not done to curb the illegal import of textiles and the dumping of second-hand clothing on the Kenya market.

Recent Government protection measures, raising duty on imported woven fabrics from 45 to 55 per cent., raising duty on other competitive fabrics by an average of 10 to 15 per cent., and slapping a 100 per cent. duty on second-hand clothing, did not seem to slow down the flood.

A great deal of second-hand imported clothing is not second-hand clothing at all. It comprises factory rejects, shop-soiled clothing or unsold seasonal clothes that cannot be marketed the following year in the country of origin. Tariff regulations do not allow for the import of rejects or shop-soiled clothes.

The market for used clothing has soared from 6,000 tons imported in 1971 to 46,000 tons in 1976. In one month, July this year, more than 318,000 tons were landed at Mombasa. Some 150 was documented for Kigali, Rwanda, but 263,000 tons found its way to a Nairobi company.

Most of it finds its way to the African markets throughout Kenya where, displayed on stalls and spread out on the grass, it is snapped up by the rural poor.

There is no way in which local manufacturers, even those in the lowest of down markets, can compete with the prices at which these goods are sold.

At the top end of the market, possibly only one manufacturer can supply clothes of the quality of the best imported garments, but manufacturers are moving towards the quality which can satisfy the needs of the growing Kenyan middle-class market.

In addition to these problems, the price of cotton in Kenya has gone up by 100 per cent. since the beginning of the year. No cheap cotton can at present be imported from Tanzania, which closed its Kenya border this year. The excellent Uganda cotton has fallen away. Some comes from the United States, and more cotton is being grown in Kenya but has not taken off yet.

Expansion

The total national textile production for this year is estimated at 90m. metres, which about matches the national consumption. The mills serve some 150 garment manufacturers of various kinds.

Some mills have expansion plans in the pipeline. One of them, Kicomi mills, is in the middle of a £8m. expansion. A £10m. synthetic plant is to open next year to supply synthetic yarn to local mills. Growth rates are good.

There are signs of mill owners and Government getting together to work out a comprehensive protection plan for the industry. It seems to be desperately needed if textiles in Kenya are to be saved. "There could be a second Nanyuki," warned one mill owner, "if something is not done."

HOME NEWS

Wealth tax spectre haunts Britain—CBI

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE POLITICAL BATTLE likely to develop over the Government's plans to introduce a wealth tax after the next General Election began to build up yesterday with criticisms from two leading industry organisations which warned that small firms would suffer worst.

At a meeting with Mr. Eric Varley, the Industry Secretary, CBI leaders said that the "spectre" of a wealth tax would undo "all the good which the Government was at present planning" for small companies under the special initiatives being co-ordinated by Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

In a separate statement, Mr. Tom Boardman, president of the Association of British Chambers of Commerce, said plans for a wealth tax conflicted strangely with the Government's declared intention to help small companies. The tax would only inhibit capital formation and deter investment and, consequently, new jobs.

Sir Geoffrey Howe, the Shadow Chancellor, said that the tax would be "gravely damaging in its effects on family businesses, investments, employment, savings, and on the national heritage." In practice, it would be either crude and unjust, or complex and unwieldy.

These strong reactions stemmed from reports of the monthly meeting on Monday of the TUC-Labour Party liaison committee which Mr. Joel Barnett, Chief Secretary to the Treasury, attended specially to spell out plans for a wealth tax.

The TUC has been pressing for such a tax for some time and Mr. Barnett said that the Government would now start preparing for legislation.

At the same meeting Mr. Lever explained his plans for helping small companies through tax and other reforms.

Yesterday the CBI linked these two subjects and told Mr. Varley that a wealth tax would be extremely damaging and would put many small companies at risk. Their ability to provide extra jobs and so help reduce the level of unemployment would be consequently impaired.

In any case, added the CBI, if such a tax were to raise only £550m. a year, as has been suggested, it would not be justified economically because of the high administration costs.

The CBI launched this attack during a meeting with Mr. Varley on the future of the Government's policies on planning agreements and the industrial strategy.

As a result of the talks, it is clear that Mr. Varley and his colleagues have failed to persuade the CBI to agree that planning discussions within individual companies should be encouraged by the CBI and the Government as a formal part of the next stage of the industrial strategy.

Instead, while reiterating its opposition to statutory imposition of planning discussions or agreements, the CBI agreed only that means should be found to communicate the industrial strategy decisions to individual companies' employees.

There will be further talks on this subject, which will surface at the February meeting of the National Economic Development Council. Reports on the first two years of the strategy will then be discussed.

'Plot made £163m. fraud seem legal'

FIVE MEN went to elaborate lengths to make a world-wide multi-million pound shares fraud seem legal, it was alleged at Lambeth yesterday.

Mr. Michael Worsley was opening the case for the Crown in committal proceedings against the five men, said to be the operators behind a £163m. fraud.

Two women also face charges in connection with an alleged fraud involving light aircraft worth $1.5m.

Reporting restrictions were lifted.

Mr. Worsley said that "the brains" behind the scheme were not in court. Two Italian lawyers and a businessman had not surrendered to bail. Mr. Pier Luigi Torri, described as one of the leaders of the plot, had been missing since escaping from Thames Magistrates' Court.

The accused, facing charges including conspiracy, forgery, attempted deception and aiding and abetting an escape, are the Canadian-Italian twins Anthony and Robert Papalia, 32; Richard Washington Swinnerton, the only Briton charged; Veronique Viocenze Blot; Renee Harris; Umberto Frascati; and Mario Berton.

Mr. Worsley said that through forged documents "in due course $3m. from the proceeds of the sale of the company would have found its way into the pockets of the brothers."

The hearing continues to-day.

Unit Trusts take in net £15m. in month

BY ADRIENNE GLEESON

NOVEMBER FIGURES from the Unit Trust Association confirm that the unit trust business has put the worst of its recent experience behind it. Net new investment in November, at £15.1m., was the highest since June 1976.

Sales during the month at £35.4m., were down on the October total of £36.5m., with the five new trusts launched by Schlesinger Trust Managers during the month contributing little to extra sales.

However, repurchases were also lower despite the relative weakness of equities during the month. At £20.3m. as against £23.4m. in October, they were the lowest since last June, and well down on the monthly average of £22.3m. Net new investment rose, in consequence, from £13.2m. to £15.1m.

The number of unit holders accounts has continued to fall—from 2,006,244 at end-October, to 1,996,523 at the end of last month. At end November last year the figure was 2,124,248.

Some large-scale investors are now turning to unit trusts for their tax advantages, while the small-scale investor who has traditionally been their mainstay is now putting his money straight into equities in the hope of a more dramatic reward.

Reflecting the performance of the market in November, funds under management by the unit trust industry had declined from £3,475m. at end-October to £3,313m. at the end of last month. A year ago they were worth £2,275m.

The value of sales during the first 11 months of the year amounted to £339m., as against £309m. at the corresponding time last year. But because of the rise in repurchases during the summer, net new investment for the first 11 months, at £94m., is still well down on the comparable amount for either 1976 or 1975, at £153m. and £179m. respectively.

New rule for accountants suggested

Financial Times Reporter

AN ACCOUNTING PRACTICE should not audit a company if anyone in the practice, or a relative, is trustee of a trust holding more than 10 per cent. of the company.

This is one addition to the ethical guide for accountants suggested by the Institute of Chartered Accountants in England and Wales in a paper published yesterday.

In canvassing the views of its membership, the institute suggests that it is "often idle to expect general agreement on what might appear to be uncontroversial ethical matters." It adds that "beneficial and trustee shareholding in client companies give rise to very real and practical problems."

The proposed additions to the ethical guide say that "a practice must not have as an audit client a company in which anyone in the practice, or a near relative of anyone in the practice, is the beneficial holder of shares," and that if such a shareholding is acquired involuntarily, steps must be taken to dispose of it.

The institute also suggests that "where anyone in a practice has, or during the preceding two years has had, a continuing professional relationship with a company, no one in the practice may accept the appointment as Receiver or as Receiver-manager of that company."

In the same way a Receiver should not then become an auditor in less than two years, the institute states.

Customs receipts ahead of inflation

BY DAVID FREUD

receipts for the 1976-77 financial year stayed comfortably ahead of inflation, rising 17.7 per cent. over the previous year to £10.9bn. Consumer prices rose 15 per cent. over the same period.

The total represents 33.6 per cent. of central Government taxation, a marginally higher proportion than the previous year.

The commissioners' report, published yesterday, reveals that revenue from car tax, oil excise, alcohol and protective duties rose more rapidly than the average 17.7 per cent. increase.

At the same time there was much slower growth in net receipts from VAT, tobacco, and betting and gaming duties.

Revenue from VAT increased only 9.1 per cent., to £3.8bn., a decline in real terms reflecting the sluggish nature of retail sales.

This element has a substantial impact on total receipts, since VAT is the biggest single tax collected by Customs and Excise representing 11.7 per cent. of central Government taxation.

Tobacco, which used to contribute more duty than any other item—but VAT, fell behind alcoholic drinks and hydrocarbon oil. Receipts rose 11.6 per cent. to £1.9bn., a decline when inflation is taken into account.

The cost of Customs and Excise administration was £191.4m., about 1.76 pence for every £1 of net revenue.

Included in this is an estimated £80m. for administration of VAT, about 2.1p for every £1 of net VAT revenue, marginally more than the cost of collecting income tax.

● The Consultative Committee of Accountancy Bodies recommended yesterday to the Customs and Excise that quarterly VAT returns be related to the accounting year of the trader.

68th Report of the Commissioners of Her Majesty's Customs and Excise for the Year ended March 31, 1977. HMSO Cmmd. 7050. £3.15.

Scottish life company sponsors opera

SCOTTISH AMICABLE, one of the biggest of the Scottish life companies, is to sponsor Scottish Opera's new production of Smetana's "The Bartered Bride."

This is Scottish Amicable's first venture into sponsorship in the U.K. and—at an estimated cost of £30,000—its first sizeable sponsorship anywhere.

The new production will receive its premiere in February at the Theatre Royal, Glasgow, and will then be taken on tour outside Scotland. Some 70-80 per cent. of Scottish Amicable's business comes from outside Scotland.

Building societies urge better grants system

BY MICHAEL CASSELL

MORE EFFECTIVE use of the improvement grant system has been called for by Britain's building societies.

The Building Societies Association says in its latest bulletin that the Housing Act 1974 introduced restrictive conditions for improvement grants which have discouraged potential applicants for grants and often stopped societies from making loans.

The societies, which by December 31 will have provided mortgages on 172,000 homes built before 1919—accounting for 23 per cent. of all loans made—point out that there has been a very sharp drop in the number of improvement grants made in recent years.

Changes in market conditions have been partly responsible for the fall but the societies also blame legislators.

The 1974 Act gave local authorities power to seek repayment of an improvement grant, with compound interest, in certain circumstances such as the early sale of an improved property. The societies had to take this into account when valuing an unimproved home and believe that this may have deterred many people from seeking a grant.

It is also pointed out by the building societies that a "chicken and egg" problem has been inherent in the improvement grant system.

By law, the societies are able to make loans only on the security of freehold or leasehold properties while the local authorities are able to offer improvement grants only on properties in private ownership.

As a result, mortgage applicants have been turned down when it has not been clear whether local authorities would provide grants on the properties the applicants wanted to buy.

The association says that after discussions involving the Department of the Environment, local authorities have been told that repayment of grants is not required when the occupier sells the property and can show he had no intention of abusing the system for personal gain.

Road casualties up 4.5%

MOTORWAYS accounted for 1 per cent. of road accidents and 2 per cent. of casualties last year, according to figures published by the Department of Transport yesterday.

The figures, contained in the Department of Transport's Road Accidents Great Britain 1976, show that deaths and injuries went up 4.5 per cent. compared with the previous year to almost 340,000 people. The estimated cost of all road accidents was £972m.

Ethylene plant delay likely

By Kevin Done, Chemicals Correspondent

SHELL CHEMICALS' plans to build a £200m. ethylene plant at Stanlow on Merseyside are likely to be put back for up to three years.

According to Mr. Bill Thomson, chairman of Shell Chemicals U.K. and a director of Shell International Chemicals, a decision will now hinge on whether Esso Chemical goes ahead with its proposed £200m. ethylene plant at Mossmorran, Fife.

The results of a public inquiry into the Esso project should be announced by Mr. Bruce Millan, Scottish Secretary, in the next two weeks. If the project clears this hurdle, as expected, Esso Chemical is still unlikely to make any final commitment to build much before the end of next year.

Shell is still at the engineering design stage with its cracker at Stanlow. Originally, it was expected to reach a decision on whether to press ahead with the project next June.

But, in the meantime, the petrochemicals industry throughout Western Europe has run into serious troubles, of which the biggest is a serious over-capacity of existing plant.

The Esso Chemical cracker in Scotland will use ethane from Shell/Esso's Brent field in the North Sea as its feedstock. Much of the output of ethylene—Esso Chemical would take 60 per cent. and Shell Chemicals U.K. 40 per cent.—was earmarked for markets on the Continent.

New capacity

But projections of market growth in Western Europe have collapsed and are less than half the level forecast 12 months ago. Existing plants are already working at about 70 per cent. capacity and many hundreds of thousands of tons of new capacity are expected to come on stream in the near future.

Mr. Nigel Champion, director of finance and planning at Shell Chemicals, said yesterday: "Capacity for ethylene already on the ground or building amounts to some 17m. tonnes a year, compared with a demand to-day of 11m. tonnes a year. It will be 1982 or 1983 before we are back in balance again, even if no further capacity was authorised."

If the Shell project is delayed, it will come as a serious blow to the Government, which has been pinning great hopes on a rapid expansion of the petrochemicals industry as a way of gaining maximum value from North Sea feedstocks, especially ethane.

Mr. Eric Varley, Secretary for Industry, has endorsed an industrial strategy sector working party report that forecast the construction of four new ethylene plants in the U.K. by 1985. Ethylene is the most important chemical building block in the petrochemicals industry.

If export markets do not materialise, ethylene from Mossmorran would have to be absorbed in the U.K. Should this happen there would be a gap of about three years, said Mr. Thomson, between the Esso cracker starting up and the Shell cracker coming on stream.

U.K. challenge by Danish tour operator

By Arthur Sandles

TJAEREBORG, one of Europe's biggest tour operators, launched its first programme aimed at the British market yesterday and provoked considerable alarm within the travel industry.

The programme is fairly modest, involving about 20,000 seats on Dan Air flights. But with its normal instant confirmation system and low prices the company claimed to be undercutting its U.K. rivals by as much as 58 per cent. on some of the holidays.

Tjaereborg is Danish based but has already spread to other parts of Scandinavia and Germany. Britain, the largest package tour market in Europe, was an inevitable target but the U.K. travel trade has fiercely opposed to someone who by-passes traditional retail outlets on such a substantial scale.

Cut in budget for schools less severe

By David Churchill

CUTS OF some £2.3m. in educational spending by Bedfordshire county council have been reduced to just over £1m. because of a £6m. underspend by the council in the current financial year.

This was decided yesterday by the council's policy and resources committee and follows intense pressure from teachers' unions against the cuts.

Meanwhile, Oxfordshire county council has decided to increase its staffing levels next year despite initial proposals for a substantial cut.

The National Union of Teachers, whose 2,500 members in Oxfordshire have imposed sanctions for the past two months in protest at the cuts, is to ballot its members in the county on the council's offer.

HOME NEWS

Engineering probe 'not a witch-hunt'

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE GOVERNMENT-sponsored inquiry into the engineering profession should not be seen as a "witch-hunt" aimed at criticising or censuring the engineering institutions or the universities.

This view was given yesterday by Sir Monty Finniston, chairman of the committee of inquiry into the engineering profession, after the inaugural meeting.

He made clear that the committee would not avoid becoming involved in the controversial issues currently splitting the engineering profession.

In particular, the committee must make up its mind about compulsory registration of engineers, said Sir Monty. "The worst thing we could do would be to have a split decision on this topic."

The question of whether professional engineers should join trade unions would also be tackled, he promised. "We shall come to a conclusion but not necessarily offer any recommendations."

Sir Monty said it had taken nearly six months to produce a committee with a balanced membership which could tackle controversial issues without being accused of bias.

The 18 members of the committee had been chosen as individuals, and were not delegates or representatives of any organisation or institution.

More than 100 organisations connected with engineering had already expressed their willingness to contribute to the evidence. Institutions, many strongly opposed to the idea of the inquiry before the committee was set up, were vying with one another to offer help and co-operation.

He hoped to publish the committee's report in the first quarter of 1979, though he realised this was "setting a tight schedule."

"Britain has a long and envied tradition of engineering excellence which was and should be again considered a national resource more valuable to the long-term future of this country than North Sea oil, or any of the other shortterm panaceas offered for our industrial and economic problems.

"It is with the proper exploitation of this resource that the committee will be concerned: whether we are getting enough engineers, and of the right kinds; whether, from the start to finish of their careers, they are being provided with the appropriate skills, knowledge and practical experience for them to make the maximum impact; whether their skills and potential are being used to best advantage by industry and other employers of engineers."

Sir Monty admitted it would take five to ten years after publication of the committee's report for the impact to show in engineering and manufacturing industry.

Mr. Eric Varley, the Industry Secretary, told the committee members that the potential benefits from the changes they were bound to suggest would not be confined to the engineering profession.

"The proper use of our national resources of engineering manpower and expertise is vital to the regeneration of our manufacturing industry."

The committee welcomes evidence from individuals and organisations, in the form of written submissions, by the end of February. It is hoped to follow up the written evidence with oral hearings, and a series of 16 regional meetings has been organised by the Council of Engineering Institutions to sponsor a national debate on the issues being considered by the committee.

Concern about growth slip in lorry sales

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE GROWTH in sales of heavy commercial vehicles in the U.K. slackened considerably last month, raising fears that the market will level off again next year after a period of healthy expansion.

But the overall situation in the van and truck-manufacturing industry remains good, with further sharp increases last month in registrations of car-derived vehicles and medium-weight vans.

These trends were indicated in figures issued yesterday by the Society of Motor Manufacturers and Traders, showing that sales of commercial vehicles in November, at 20,849 units, were 14.2 per cent. higher than in the same month last year.

Over the first 11 months of the year, registrations have risen by 7.5 per cent. to a total of 209,936, compared with the same period of 1976.

The main anxiety for manufacturers at the moment lies in the heavy end articulated truck category for vehicles of more than 3.5 tonnes. This is the sector which generates the most revenue per unit for the industry, and it is now the one that looks likely to run into flatter market conditions next year.

Last month sales in this category rose by only 1.7 per cent. on the same month last year, and registrations of British vehicles actually fell from 4,715 units to 4,625.

Imports, by contrast, rose from 705 units a year ago to 891. Among the importers, DAF, the Dutch producer, has made particularly big strides, and with sales of 129 units last month was third in the importers' league behind Volvo (240) and Mercedes (163).

The light, car-derived, vans sector was headed by Ford, with 2,186 sales (31.6 per cent.), followed by British Leyland (1,848; 27.8 per cent.), and Bedford (1,797; 26 per cent.). A total of 6,908 vehicles was sold in this sector, an increase of 19.1 per cent. over the same month last year.

Ford also sold most medium-weight vans, taking 45.5 per cent. of the market with 3,614 sales. Total registrations in this sector amounted to 7,942, 23.5 per cent. more than in November last year. British Leyland sold 1,249 (15.7 per cent.), Bedford 1,008 (12.7) and Chrysler 436 (5.5 per cent.).

November again saw the British industry under steady attack from imports. Foreign vehicle sales totalled 3,592 units (17.2 per cent.), compared with 2,584 (14.2 per cent.) in the same month last year.

Over the year to this month imports have accounted for 16.5 per cent., compared with 14.2 per cent. in the first 11 months of 1976.

Crown challenges bribe claim in Racal arms contract case

FINANCIAL TIMES REPORTER

ALLEGATIONS OF payments by two former Racal group executives to win a £4m. Iranian arms contract were challenged by Crown counsel in their corruption trial at the Old Bailey yesterday.

Mr. Kenneth Richardson, prosecuting, said one U.K. newspaper report had suggested that another accused, Lt.-Col. David Randel, a former Defence Ministry adviser, had been paid nearly £23,000 by Racal BCC in commission to pass on to Persian Army officers "for help in getting the contract."

"I want to make it clear that the Crown allegation is that the money was paid to Lt.-Col. Randel for his own use and not for passing on to Iranian Army officers," he said. "This is important in view of the fact that reports of this kind have repercussions beyond this country."

Judge James Miskin, QC, said the Crown allegation was quite clear, but pointed out that the defendants had made different assertions.

Two of the accused, who were with the Racal group at the time, had asserted that the payments were made to Lt.-Col. Randel for transmission to "middle level" Iranian officers.

But Lt.-Col. Randel's defence was that he had never received a penny for that or any other purpose, the judge said.

Mr. Frank Nurdin, 61, of Barnet Road, Arkley, former sales director of Racal BCC of Wembley, and Mr. Geoffrey Wellburn, 41, of Beaconsfield, its former managing director, deny corruptly giving Lt.-Col. Randel £22,300 in 1972 for showing favour to the company in relation to the affairs of the Crown.

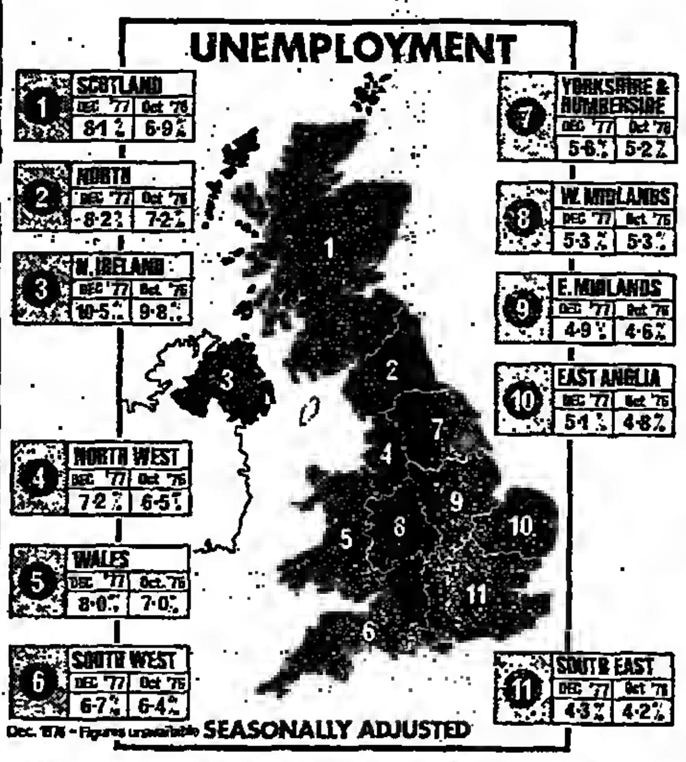
And Lt.-Col. Randel, 41, of Aldershot, denies corruptly receiving the money.

During the trial, which has already lasted seven weeks, the prosecution has alleged that the two accused former Racal executives had paid the money to Lieut.-Col. Randel because he was part of the U.K. Defence Ministry team concerned in the negotiations with the Iranian forces.

The Crown claimed this was done without Racal's authority, although it was meant to help it win the contract.

Mr. Nurdin, who was cross-examined by Mr. Richardson about his reasons for paying the money to Lieut.-Col. Randel, said: "When the Shah launched his massive re-armament programme in 1970, there was competition between the British and the Americans for enormous contracts in war material.

"The decisions of government officials and senior army officers were vital, and I believed that Lieut.-Col. Randel had connections with middle-level officers who could also help to get the contract."



REGIONAL DIFFERENCES in unemployment rates have begun to widen again this year. Last month, in spite of a further fall in the U.K. total, there were more adults out of work in northern England, Scotland and Northern Ireland. In the last six months, the U.K. adult total, seasonally adjusted, has risen by about 5½ per cent., but the increase in northern England and Wales has been more than 9½ per cent., and in Yorkshire and Humberside it has been 8½ per cent. In contrast, the increase in south-east England has been 2½ per cent.

U.K. attracts more overseas students

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

OVERSEAS STUDENTS are still asking for entry to British universities despite the 56 per cent. average rise in their tuition fees imposed in October, according to figures from the Universities Central Council on Admissions.

The increased fees remain well below the cost of the student places to British taxpayers. But the Government has decided against turning the extra overseas demand into "export earnings" by a further increase in fees next autumn beyond about 7 per cent. to match inflation.

The council's interim count on December 1—which probably under-estimated foreign candidates, who generally apply later than the British—showed overseas applications 23 per cent. up on the corresponding 1976 figure, 11,858.

Demand by home students, who unlike foreigners have their tuition fees paid from public funds, was up by only about 2 per cent. to 96,483 applications.

A new feature of the overseas demand, according to some university departments, is that people from the Far East, including Hong Kong, Singapore and Malaysia, are increasingly joining Middle East youngsters in seeking a subsidised British higher education.

The continued increase in foreign applications will worry the Government which is anxious to prevent any further rise in the overall number of overseas students in State universities, polytechnics and colleges. The present total is roughly 80,000.

But Mrs. Shirley Williams, Secretary for Education and Science, has decided to limit tuition-fee increases this year to about 9 per cent. to cover inflation.

Instead of trying to ration the foreign entry by raising prices, she will place quotas on overseas admissions.

'Arrogant' chemical industry attacked

By Kevin Done, Chemicals Correspondent

CHEMICAL industry leaders have been attacked by a leading trade union official for their "arrogant" attitude towards the Government's industrial strategy.

In a letter to other unions Mr. David Warburton, national chemicals officer of the General and Municipal Workers' Union, says the attitude adopted recently by the Chemical Industries' Association appears to be in conflict with the general approach of the National Economic Development Office sector working party reports.

"The arrogant statements implying that companies know best cannot be accepted under any circumstances," he said.

Union leaders in the chemical industry have become increasingly frustrated by what they see as the industry's failure to take positive action to fulfil the recommendations of earlier sector working party reports.

In reply, the industry has pointed to the severe overcapacity for many chemicals in Western Europe.

In his letter, Mr. Warburton called for the formation of a joint body of chemical industry unions to deal with general economic issues. He said it appeared that the industries association had no intention of giving consideration to union proposals for the industry and "double standards" were being applied.

"This situation is intolerable for the trade unions which operate in the industry," he said.

Economic growth 'will slow after mid-1978'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RATE of economic growth in the main industrialised countries should pick up early next year. But the strengthening of the recovery will be short-lived, with slower expansion in the second half of 1978 and in 1979, according to Economic Models, a firm of economic consultants, in forecasts issued to-day.

Economic Models notes that economic growth in the eight major industrialised countries will average 4 per cent. this year against the overall target of 5 per cent. set in June—and says the outlook for next year is also similar to earlier expectations.

In the U.S. and the U.K. in particular, the impact of recent stimulative fiscal measures will be concentrated in the first half of next year but will not prevent the upturn in investment growth which would sustain the recovery for another year.

In the absence of a strong stimulus next year in the U.S., the growth of the eight major industrial countries is forecast to accelerate only slightly to 3.7 per cent. in 1978.

Gross domestic product, in real terms, is projected to rise by 2 per cent. in Belgium in 1978, 3.1 per cent. in France, 3.2 per cent. in West Germany, by 2.5 per cent. in Italy, by 2.1 per cent. in the Netherlands, by 3.5 per cent. in the U.K., by 6.1 per cent. in Japan, and by 4.4 per cent. in the U.S.

The growth of world exports should increase significantly next year—at 6.4 per cent. against 3 per cent. this year—as the renewed recovery in activity early in the year boosts import demand. But the slowdown in output in the major countries will bring the growth rate down again to only 2.3 per cent. in the early part of 1979.

The rate of consumer price inflation is expected to accelerate in several major countries—up in the U.S. from 5.9 per cent. in the year to the fourth quarter of 1977, to 7.2 per cent. in the following 12 months. In Japan, the rate is projected to increase from 6.2 per cent. to 8 per cent. on the same comparison, with an acceleration from 5 per cent. to 14.2 per cent. in France. An unchanged German rate of 4.2 per cent. between the two periods is forecast.

Economic Models expects a deteriorating economic performance in the U.K. late next year with a continuing rise in unemployment. The year-on-year rate of price inflation is put at about 11½ per cent. in 1978.

The firm says next year is "now unlikely to be the hoped-for turning-point in the fortunes of the U.K. economy."

"Non-oil trade, which might have provided a stimulus to industrial production in a climate of growing world demand, will not improve in the next year and a-half."

Conference debates U.K. policies

By Peter Riddell, Economics Correspondent

A UNIQUE two-day conference of 36 of Britain's leading economists ended last night. They discussed the policies they thought would have been best in the past decade and those which should be adopted now.

The conference was organised by the National Institute of Economic and Social Research. It brought together all the main schools of thought on how economic policy should be run. The idea, which is new to the U.K., has been modelled on the Brookings Papers on Economic Activity in the U.S.

The proceedings of the conference were private but the papers and discussions will be published as a book by Heinemann next May.

Stockbrokers can advertise on TV

BY MICHAEL THOMPSON-NOEL

Member firms of the Stock Exchange are to be allowed to advertise on television and commercial radio, providing they do not recommend investments or comment on individual securities.

This is the main point in the latest edition of the Independent Broadcasting Authority's Code of Advertising Standards and Practice, published to-day, which incorporates changes made to the code since it was last published two years ago.

Other principal amendments now permit the advertising of slimming clinics, provided they offer treatments based on dietary control and certain categories of lottery.

The IBA has also clarified the rules relating to the provision of financial information in corporate advertisements.

An IBA spokesman said last night that as the Stock Exchange now permitted member firms to advertise, they would now be formally provided for in the list of savings and investment facilities which could advertise on TV and radio, provided they conformed strictly to the rules of the Stock Exchange itself.

Corporate advertisements on TV and radio may now include background financial information that presents a general picture of quoted companies.

"However," says the IBA, "such advertisements must not be designed specifically to enhance the financial reputation of a company in the minds of investors and references to profits, distributions to shareholders and quotes from chairmen's statements and similar documents will not be allowed." There will be a review of this rule in a year.

In line with the Lotteries and Amusements Act, 1976, the IBA code has been altered to allow TV and radio commercials for lotteries run for charitable, sporting, cultural and non-commercial purposes, and those run by local authorities.

Midland Bank launches Newcastle experiment

BY MICHAEL BLANDEN

MIDLAND BANK is launching a New Year experiment in the Newcastle region aimed at making better use of its branches while improving the service to customers.

The move involves a satellite banking system, under which a number of branches are grouped around an area office which provides administrative and specialised supporting services.

It is regarded as a possible answer to the growing cost to the big banks of running their extensive branch networks, and the results of the Midland experiment will be watched closely by its rivals.

The bank made it known early this year that it planned to make this change in three areas, and the first two, in Newcastle and Sunderland, begin on January 3. The third, in Southampton, is expected to follow in the late Spring.

From January 3, six branches in Newcastle and Gateshead will be linked to a new area office in Newcastle, while five in Wearside will be linked to an area office in Sunderland.

In other respects, the 11 branches will keep their present identity, but the removal of much of their back office work will enable the staff to concentrate on customer service. At the same time, the new area offices are geared to meet the more complex and specialised requirements of the bank's business and professional customers.

Mr. J. B. Smith, regional director in Newcastle, said: "The principal purpose of the scheme is to provide a more flexible and better standard of service to our customers and to make the best use of our resources."

LABOUR NEWS

Firemen fight TUC stand

By Alan Pike, Labour Correspondent

THE FIRE Brigades Union, with no prospect of ending the five-week long strike on the horizon, will challenge to-day a TUC decision not to support the firemen's action.

At a meeting of the TUC General Council this morning Mr. Terry Parry, FBU general secretary, will try to reverse the decision by the Finance and General Purposes Committee of the TUC against broadening the dispute into an attack on the Government's implementation of its 10 per cent. pay guidelines in the public sector.

While the General Council is meeting thousands of firemen and other trade unionists will demonstrate in a mass lobby outside TUC headquarters.

Mr. Parry will say that the Government's 10 per cent. guidelines are being imposed on public-sector workers with the rigidity of legislation, and that this conflicts with the policy adopted by the annual TUC in September.

It is probable that the General Council will endorse the Finance and General Purposes Committee's decision, though the firemen may gain support from both Left-wing members and some public-sector unions.

Clampdown

The Society of Civil and Public Servants wrote last week to Mr. Len Murray, the TUC general secretary, protesting that the committee's decision appeared to conflict with Congress policy.

A similar view has been taken by the National Union of Teachers. The NUT executive deplored the "implication" in a TUC circular that the Government's "attempts to impose a pay clampdown" in the public sector were supported by Congress.

The FBU executive met last night after its failure to meet the local authority employers on Monday to discuss possible improvements in a two-year phased pay formula.

Philip Rawstorne writes: The Conservative Party yesterday was asked to help settle the firemen's strike by joining the Government in guaranteeing increases in firemen's pay over the next two years.

Mr. Ian Wrigglesworth, Labour MP for Thornaby, said that doubts about the Conservative attitude to the pay offer were affecting a settlement of the dispute.

In a letter to Mr. William Whitelaw, Tory deputy leader, he said: "The firemen want to know if the Conservative Party will guarantee that the proposal to link their pay to that of skilled manual workers will be protected against inflation and will not be thwarted by any future pay policy should a Conservative Government come into office."

Corby steelmen may accept 11% cut in jobs

BY PAULINE CLARK, LABOUR STAFF

UNION leaders for 11,300 workers at British Steel Corporation's Corby complex said yesterday they would co-operate with a plan to cut the workforce by 1,200, or about 11 per cent., if the right terms were offered in a new productivity deal.

An improved offer on the steelworkers' current productivity agreement offering a maximum £9 has yet to be made, but the union leaders' willingness to negotiate on the redundancy programme is being seen as an encouraging step towards resolving the corporation's financial crisis.

Corby is the second major steelworks to demonstrate what BSC management sees as a "constructive" approach to the corporation's difficulties. Only a week ago steel union leaders at Hartlepool agreed to local negotiations which it is hoped could bring forward by about a year the closure of the steelworks and the axing of about 1,500 jobs.

After a meeting between national officers of the Iron and Steel Trades Confederation and local shop stewards at Corby, Mr. John Cowling, secretary for the East Midlands area, said that the union side had been looking at the effects of the planned redundancies and also at how the workforce could benefit further from a work measurement incentive scheme.

The union side was interested to see greater efficiency achieved but was awaiting an improved offer on its present two-year-old scheme offering a £4.50 guarantee.

Productivity deals, however, would have to be worked out individually at each of the dozen plants at Corby, ranging from rolling and strip mills to galvanising plants.

Any new offer meanwhile, would have to be put to a shop stewards meeting first.

The developments at Corby are likely to be viewed with cautious optimism by BSC, which is conscious of the dangers lying ahead on the question of compulsory redundancies in the industry.

BSC faces a projected £500m. loss this year and it is feared that between 20,000 and 33,000 jobs may have to be axed.

So far union leaders have insisted that there must be only voluntary cuts. These are likely to be organised more easily at steelworks like Corby, where production is to be maintained, by a smaller workforce.

Hartlepool, in contrast, is destined for total closure under the Beswick plan for lopping off high cost steel plants.

Meanwhile it is thought unlikely that any major progress towards phasing out high cost plants will be made until Mr. Eric Varley, Industry Secretary, makes his promised statement on the industry when Parliament reassembles in the new year.

Swan Hunter men discuss pay award

BY NICK GARNETT, LABOUR STAFF

UNION OFFICIALS and the outfitters' negotiating committee at Swan Hunter will meet early to-day to discuss the "fair wages" award made by the Central Arbitration Committee.

The award, details of which were passed to senior union officials and company management late yesterday, was seen as a possible way of ending the outfitters' overtime ban which has prevented ships in the Polish order from being built on the Tyne.

There has been general confidence among shop stewards that a cash award under the 1946 Fair Wages Resolution would be made to the Swan Hunter men, who say they are the poorest paid of all outfitting groups at British Shipbuilders' yards.

In view of the general situation, the CAC notified its findings within a matter of days of the hearing and the details were taken from London to Newcastle by special messenger.

The CAC and Mr. George Arnold, the Tyne area chairman of the Confederation of Shipbuilding and Engineering Unions, said yesterday that details of the award would not be released until all the parties had a chance to study them.

It is still not clear if a mass meeting of outfitters' could be called to-day. Swan Hunter closes down for the Christmas and New Year holidays to-night but some workers at the company's Hebburn yard are due to finish at noon.

Most shop stewards would prefer a mass meeting to-day if possible, but Mr. Mick McDermott, the secretary of the outfitters' negotiating committee, said no venue had been arranged and the possibility of a meeting was virtually nil.

The confederation has submitted a claim, in line with that of the whole of the engineering industry, aimed at boosting national minimum rates for skilled shipbuilding workers from £42-£70 and for unskilled men from £33.60-£55.

They also want a shorter working week and better fringe benefits.

A large proportion of British Shipbuilders' 85,000 manual workers have agreed pay deals which the State-owned concern is attempting to average out at 8.5 per cent. on earnings.

Guidelines broken, union says

By Our Labour Staff

THE Association of Scientific, Technical and Managerial Staffs, the white-collar union, claims to have won for a large section of its membership pay deals which breach the Government's 10 per cent. guideline.

The claims are made in the latest edition of the ASTMS Journal. Referring to "certain employers," Mr. Russ Vallance, Divisional Officer, says that the settlements have been kept quiet to escape the attention of the Department of Employment.

"There is no good reason," he says, "to risk members' money and embarrass an employer who has taken a commonsense attitude towards pay restrictions."

The journal documents nearly 20 cases of settlements with increases on earnings ranging from 15 to 40 per cent.

NUJ strikers isolated as colleagues return

BY OUR LABOUR STAFF

JOURNALISTS in Darlington who have been on strike for about six months in a closed-shop dispute seemed more isolated yesterday as their colleagues in London resumed normal working.

Members of the National Union of Journalists in the London offices of Westminster Press group decided to call off their sympathetic action after talks between management, Mr. Ken Ashton, NUJ general secretary, and union chapel officers. Earlier this month, printers in Darlington also decided to resume normal working after supporting the strikers since the start of the dispute.

The six remaining London strikers—five others resigned earlier this year—are to forfeit their one-week Christmas bonus but will receive payment in lieu of outstanding holiday allocation.

The union has agreed to instruct its members in all divisions of the group to cease their policy of refusing to handle copy from the London office and the flow of London copy to Darlington was also resumed.

The 106 striking journalists in North of England Newspapers, a subsidiary of the group, said yesterday they were grateful for the support of their London colleagues and were sympathetic with their difficulties.

However, they said the Darlington strike would continue until either a closed shop were conceded or they were given a firm pledge on pay parity with other provincial journalists. Further talks with management are expected to take place later this week.

Chrysler workers to decide on 'last-chance' Linwood plan

BY OUR OWN CORRESPONDENT

CHRYSLER'S Scottish manual workforce of 6,000 will meet this morning to decide whether to accept a 13-point flexibility plan agreed by the management-union working party established after the recent two-week stoppage at the Linwood plant.

The deal is being recommended by the men's shop stewards as Linwood's last chance of achieving its productivity targets—and viability.

The stewards have already accepted it after being warned by senior union officials that if this attempt to remedy the plant's ills did not work, the Government would refuse to back any more investment for the Scottish works.

Under the new proposals, more flexibility is allowed between sections, particularly in the body press shop which is blamed for part of Linwood's poor performance.

Since the plant took over manufacturing of the Avenger model 15 months ago, output has fallen well below target and the recent launch of the new Sunbeam had to be curtailed because only half the intended stock of cars had been made.

Both management and unions state their intention to abide by the existing disputes procedure. The unions also have accepted the company's right to discipline offenders for absenteeism and bad timekeeping—both of which had been running at up to 25 per cent. of the workforce.

Most of the working party's points already exist in present and past plant agreements but have not been operated or observed properly.

One leading steward described the deal as "commonsense."

He said: "Management has recognised that the trade unions have a role to play, and the trade unions have recognised that management has the right to manage."

Since the strike, over the company's insistence on moving four inspectors 30 yards along the production line to improve quality control, output has gone up although it has not yet reached target levels. There is still a substantial backlog of orders for Avengers and Sunbeams.

Appointment of the working party, chaired jointly by Mr. Peter Griffiths, deputy chairman of Chrysler U.K., and Mr. Grenville Hawley, national official of the Transport and General Workers Union, was agreed by both sides as the only way of ending the deadlocked dispute which was threatening the company's future.

● More than 1,300 workers at Rolls-Royce's East Kilbride aero-engine plant are to decide to-day whether to go it alone in defying the State-owned company's insistence on observing the Government's pay guidelines.

The men have been operating an overtime ban for four weeks in support of a 25 per cent. pay claim, and voted overwhelmingly to continue this action last Friday in spite of a warning from management that the plant would be closed and the workforce laid off without pay until the action ceased.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ELECTRONICS

Translates at the touch of a button

PATENTS have been granted on an idea which could prove a major boon in business, industry and especially in education according to which a calculator-like unit could be used to provide translation into—initially—any Roman alphabet language of 1,000 English words of up to ten letters length, that is a Basic English vocabulary.

The equipment will probably be called Electrolex, for electronic lexicon, and be provided with a 28-character keyboard, plus action and clearance bars, as well as exchangeable memories corresponding to the languages it is required to handle.

Attempts at computer translation into and out of foreign languages are not new by any manner of means—National Physical Laboratory in Britain has done an immense amount of work in this most difficult area of computation. But the device now described uses advanced calculator techniques to provide a straight translation on a word to word basis.

Further developments propose to provide a list of words where the original English has a number of meanings. Without too much difficulty, the vocabularies could be extended and length of words raised to 15 letters.

The next step, to introduce languages such as Hebrew or Arabic, is a little more complicated and further ahead is a Japanese or Chinese vocabulary.

It would be technically possible to provide circuitry to reproduce, in sound, the word displayed. At this point, however, the developers say, cost and bulk of the equipment would be "prohibitive."

The patent holders are seeking organisations interested in manufacturing and marketing the unit(s) in England.

Further from Lewis Craig Associates, 1 Manchester Square, London W1M 5JB. 01-486 4371.

Weighing made easy

MANY of the error-prone and time consuming tasks concerned with accurate weighing have been done away with in the series 2002MP1 and 2003MP2 electronic balances put on the market by Sartorius Instruments.

Working on the force-coil principle, the unit has no knife edges or bearings and produces a reading up to 160 grams in a few seconds. When a weight of say, 75 gms is placed on the pan, a motorised unit in the head of one of the models automatically applies 70 gms in ten gram increments and the remaining five are taken care of by an electronic system spanning 16 gms.

The unit, which is made in Germany has readability and standard deviation of 0.1 mg. A microprocessor is employed to give a number of facilities.

For example, when performing serial weighings, depression of a stop button prevents repeated return to zero but does not block the addition of extra weights.

One model has an additional key for storage of multiple weight components excluding the tare weight, and activation of another key calls up the total net weight stored.

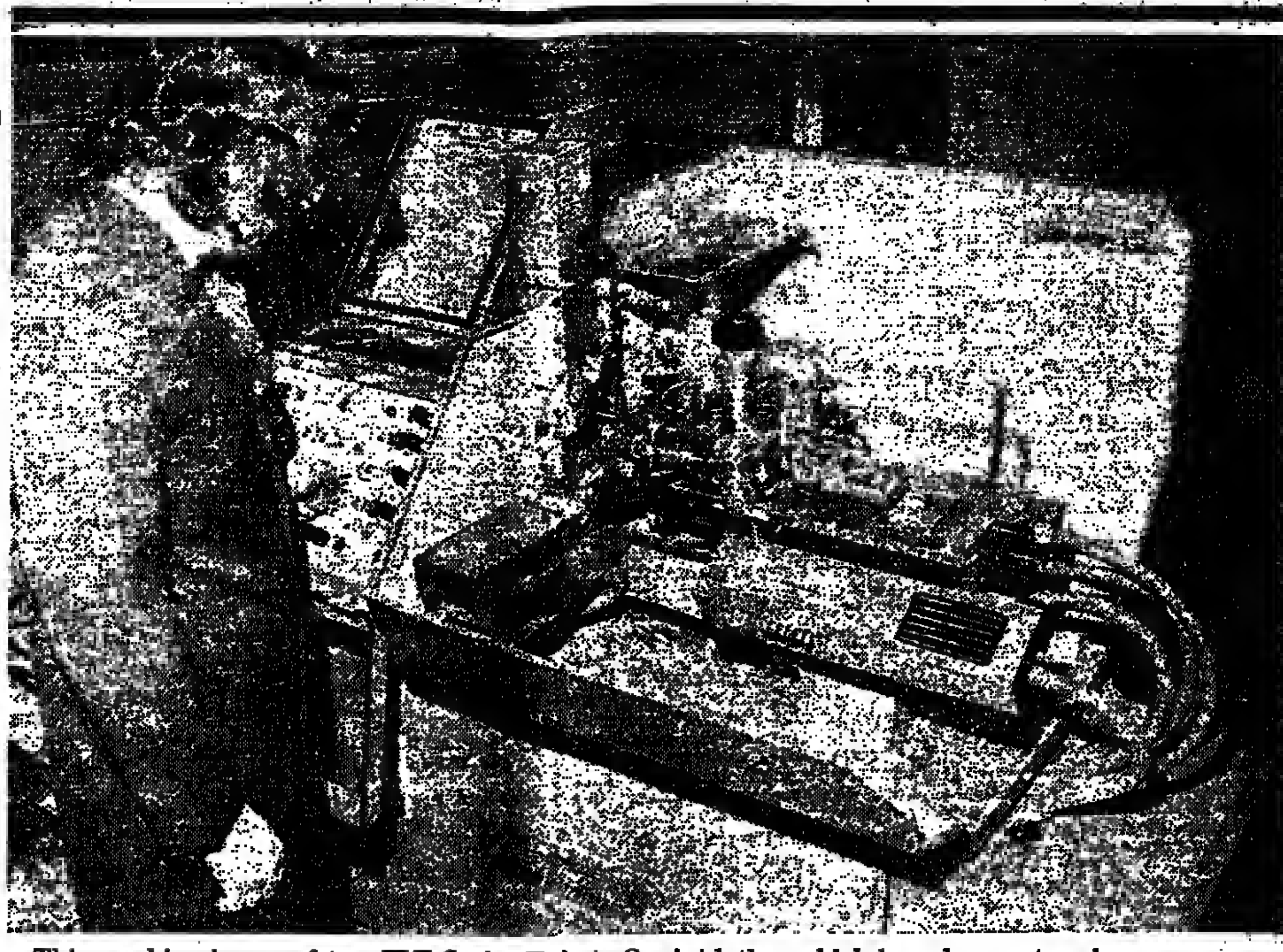
Each tare value is automatically stored when the tare key is touched and any weight at any moment can be similarly stored; in the latter case the indication shows only the deviation from the stored value with both plus and minus shown.

To facilitate weighing-in (for example, the addition of further liquid to a beaker on the pan to reach a required weight), a circuit is triggered when the weighing chamber is opened, shortening the settling time of the weight indication by reducing the readout by one digit.

The balances are designed for connection to conventional data processing and storage systems.

In addition the microprocessor makes possible the programming of specific applications. Thus, the balance can be used for formulations, for the determination of density or moisture loss and for conversion to other systems of measurement. A printer is available for the documentation of results.

More from 18 Avenue Road, Belmont, Surrey (01-642 5691).



This machine is one of two EMI Series E Auto Sprint lathes which have been set up in a new production line at the Crewe works of Wellcome Hygiene Services. The machines are being used for the production of brass components for sanitary equipment.

● WELDING

Joins layers of plastics

LATEST ADDITION to the range of high frequency plastic welding equipment made by Rosefair Electronics is the AT35, which incorporates a roll feed unit.

Based on a standard unit rated at 3.5 kW, once set it will operate automatically. It can carry up to three 300 mm diameter rolls of material 400 mm wide. There are adjustable guides for aligning each roll, and pneumatic clamps secure the material during the welding cycle. Stroke adjustment is up to 600 mm.

This company has used its expertise in the RF field to develop an intriguing device for model railway enthusiasts. This consists of a small generator which is connected between the controller and the track. It imposes low-intensity 230-volt pulses at 10 microsecond intervals upon the primary drive current. These ionise the gap between the locomotive wheels and the rails, making an easy path for the DC current driving the motor.

The high-frequency pulses penetrate grease and dirt on the track. The unit is rated at ¼ W and is said to be safe for children.

Details from Rosefair Electronics, Shakespeare Street, Watford, Herts. (0923 41231).

Fabrication cost cutter

AGGLOMERATED flux for automatic, submerged-arc, welding of mild steel and carbon-manganese steels at low cost while maintaining high weld quality, has been formulated for the fabrication market by GKN Lincoln Electric.

Arcmaker No. 10 gives good slag release even in very deep preparations and can be used with low-cost unalloyed electrode wires, such as the makers' L 60, with which the flux is intended to be used.

GKN Lincoln Electric, Black Fan Road, Welwyn Garden City, Herts AL7 1QA. (96 24581).

● DATA PROCESSING

Acquires the data

COMPLETE data acquisition systems tailored for the industrial microcomputer user have been introduced by Burr-Brown International.

MP7608 provides eight differential input channels which accept analogue signals ranging from 10 mV full scale to five volts full scale. Another version, MP7608-1, also has eight channels but is a current system designed to accept 4-20 mA current loop signals. Both units provide 12 bit resolution and an accuracy better than ±0.025 per cent of full scale.

Attention has been paid to the requirements of the industrial user by providing input filtering and 200 volt protection; in addition the current version is fused to protect the precision input resistors.

The boards also include excitation and bridge circuits for connection to sensors such as strain gauges. In addition, sensitivity allows users to feed directly from thermocouples and other low level sensors, eliminating the need for external instrumentation amplifiers.

More from the company at 17, Exchange Road, Watford, WD1 7EB (0923 33837).

Cuts load on micro

IN VIEW of the fact that input and display are an important part of most microprocessor systems, Intel has developed a single chip device that relieves the central processor in a system from the relatively mundane tasks of monitoring and servicing the keyboard and updating the output display.

Called the 8279, the chip is suitable for use with eight bit micros such as the 8080A and 8085.

The chip's input section can provide a scanned interface for a variety of keypad formations up to a maximum of a 64 contact key matrix. The input can be from the key switches of a conventional keyboard, from toggle switches or from sensors. The 8279 can also be used with boards using Hall effect and ferrites.

Key depressions can be either two-key or n-key rollover. All keyboard entries are de-bounced within the chip and are stored in a first-in first-out memory where they are queued for input to the processor when it has time to read them.

The display section provides an alpha-numeric scanned display interface for LED and incandescent types. Data for the display is entered into an internal 16 x 8 display memory which can, if desired be organised as two 16 x 4 memories.

Data entry can be either left entry (calculator style) or right entry (typewriter style). The chip is housed in a 40 pin dual-in-line package and will operate over the temperature range 0 to 70 deg. C.

More from 4, Between Towns Road, Cowley, Oxford, OX4 3NB (0865 771431).

● MATERIALS

Waterproof chipboard

ACCORDING TO Scotboard, the company has pioneered a new process for waterproofing chipboard. The process involves the application of a paraffin based wax in specially built cascader units, carrying up to 20 boards. The coating process is followed by a carefully monitored period of cooling and conditioning.

Called Scotseel, the waterproofed board is stated to overcome a variety of problems associated with chipboard. Under severe condensation, humidity cycling, vapour and weathering tests lasting three months, it is claimed that the sealed board showed almost no deterioration in contrast to the unacceptable levels of water absorbancy and swelling experienced after a short period with untreated board.

The maker says the board meets BS strength and flame resistance requirements, and expects to market the board for use in the building and construction industries for flooring, shuttering and roofing applications where chipboard could not previously be used.

● COMPONENTS

Heavy duty truck axles

FOR LONG distance truck economy, a heavy duty axle, engineered for a minimum life expectancy of ½m. km, has been introduced by Eaton.

The single reduction, spiral bevel axles are in two weights. The lighter 11½-tonne model is tailored to the current U.K. market with a comfortable 1½-tonne axle weight capacity margin. The 13-tonne axle can meet the demands of the largest Continental trucks.

Axle ratios range from 3.38:1 through four options to 5.13:1. This is the fastest offered by the maker in the heavy duty range and is stated to be ideally suitable for use in conjunction with low-speed economy engines. Two lower ratios—5.43:1 and 6.67:1—can be supplied for special duties.

The axles are offered with a differential lock option where maximum traction in tough gradient and weather conditions are required.

Positive lubrication is used to supplement the normal splash and circulation method. Allowable input torque varies with axle ratios and types of service.

More from the maker, Eaton Axles, Aycliffe Industrial Estate, Darlington, Co. Durham.

Protects from fire

AN ASBESTOS-FREE non-combustible board has been introduced by Cape Board and Panels to provide easy-to-install fire protection around steel beams and columns.

The boards have rebated edges that fit together to form fire-resisting joints that do not need cover fillets. The material, trade-named Vermiculux, is sufficiently strong for the casings to be constructed by edge-screwing the boards together.

The maker says Vermiculux has been tested by the BRE Fire Research Station and to BS 476, Pt. 8, 1972, and complies with Parts 4 and 7. Periods of fire protection up to four hours can be achieved. It is made from exfoliated vermiculite and binders in an autoclaving process, and may be worked by standard woodworking tools. It is unaffected by humidity.

Board size is 1,200 x 610 mm with the short edges rebated, and nine thicknesses are available from 20 to 60 mm. Special sizes can be ordered.

Details from Cape Boards and Panels, Iver Lane, Uxbridge, Middx. UB8 2JQ (Uxbridge

● *By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.*

● NAVIGATION

Guides the small boat

A NEW division of APT Electronics, Aptel Marine has introduced a hand-held direction finder aimed at the small boat market.

Called the DDF300, the unit is completely self-contained and is suitable for use anywhere in the world over the frequency range 190 to 500 kHz.

Operation is simple and rapid. The frequency of the required station is selected on a pocket calculator type of keypad, the trigger squeezed and the instrument rotated for a null on the meter or earphones.

On releasing the trigger the built-in non-liquid compass is locked—obviating the need to watch it during use or to remember the bearing.

An automatically tuned receiver is used, the accuracy and stability of which is locked to a single reference crystal. An inbuilt digital clock provides immediate station sequence checks and is accurate to two seconds a week. The direction finder is in tough, waterproof case weighs only 1.2 kg.

More from Darwin Close, Reading, Berks RG2 0ZB (0734 862155).

● TRANSPORT

Keeps big ships at sea

UNDER ITS first licensing agreement, the Underwater Maintenance Company has handed over a Scan remotely controlled ship survey system to Smit Tak International.

The hand-over took place at the U.K. company's Southampton works, where two technicians from Smit Tak (Antilles) NV have been trained in the operation and maintenance of the equipment.

Scan is a remotely controlled underwater vehicle which inspects the submerged hulls of very large cargo carriers by means of closed circuit television. The equipment is officially approved by the Classification Societies as an alternative to a dry-dock inspection, and its use effectively means that large vessels can stay afloat for as long as four-five years between routine dry-dockings.

Underwater Maintenance Company as diving contractors already operates the system itself in Las Palmas and the Middle East.

Increasing tanker traffic to the U.S. made it imperative to make the service available in the Caribbean area where Smit Tak already has a marine operation.

Underwater operates from Mayflower Close, Chandler's Ford Industrial Estate, Eastleigh SO5 3AR. Tel.: 04215 69866.

● CONFERENCES

Information service discussion

BUTLER COX and Partners has announced that, due to the considerable success of the first public seminar on Viewdata, two further similar events are planned, one in Birmingham and the other in Zurich.

Viewdata is an information service, soon to be the subject of a 1000 installation experiment, in which computer-organised alpha-numeric data is sent over public phone lines for reception on the domestic television set.

The seminar in Birmingham will be held at the Albany Hotel on Tuesday, February 14, and in Zurich at the International Hotel on Thursday, March 2.

For details contact the conference secretary at The Press Centre, 11th Floor, 76 Shoe Lane, London EC4A 3JB. (01-353 1138.)

● RESEARCH

Underwater vehicle project

A JOINT study to establish the feasibility of an advanced, remote-controlled unmanned submersible capable of carrying out intricate tasks such as electric arc welding and torch cutting under water is to be undertaken by Spar Aerospace Products of Toronto and ERNO Raumfahrttechnik GmbH of Bremen.

Each firm is to be funded about $150,000 by its own government—Canada and the Federal Republic of Germany. The joint study is planned for completion in one year and calls for a joint definition of the submersible.

Detailed conceptual design responsibility for the submersible will rest with ERNO, while Spar will be responsible for the manipulating and related systems.

● PROCESSING

Shotblasts ships' bottoms

LATEST IN the range of dry dock equipment made by Magslar, of Tokyo, is a shot blasting unit, mounted on a crawler tractor, for removing corrosion and marine life from flat ship bottoms.

Suitable for remote control, or for operation from the driving seat, the unit, operated by one man, crawls along the dock floor under the ship. The shot blast opening clamps to the hull plates with permanent magnets, can be swivelled 20 degrees right or left, and is hydraulically adjusted according to the height of keel blocks.

Two models are available, … for working heights between 1,100 mm and 1,600 mm, and … other for 1,200 to 2,200 mm.

Details from European agent Gevcke Werktuighouw BV, P… Box 820, Amsterdam, … Netherlands.

● METALWORKING

Heavy duty fettler

TO OPERATE from 110V … two heavy duty 2000 W … grinders have been launched … Wolf Electric Tools. Applications include fettling and cutting …

Both the 7- and 9-inch models are double insulated, and weigh 14.1 lbs. Full load speeds … 5,500 and 4,500 rpm respectively. The wheel guards are adjustable and comply with the Abrasive Wheels Regulations 1970.

For repetitive cutting work the 9-inch model can be used with the maker's cut-off stand … end with a cutting … guide.

Details from the maker … Hanger Lane, London, W5 1… (01-998 2911).

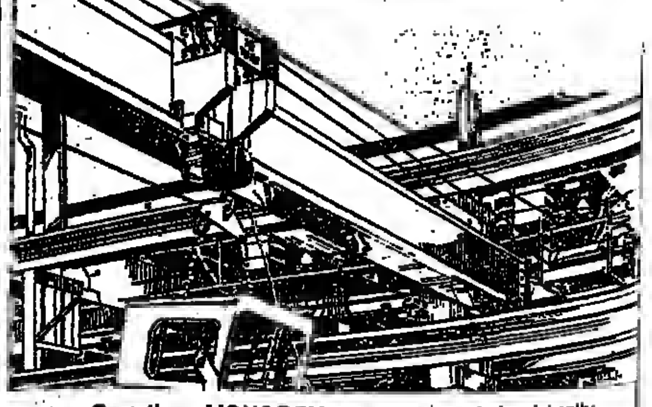
Parking a capstan

USE OF a capstan attachment on a centre lathe often involves the difficult task of lifting the attachment when the standard tailstock is needed.

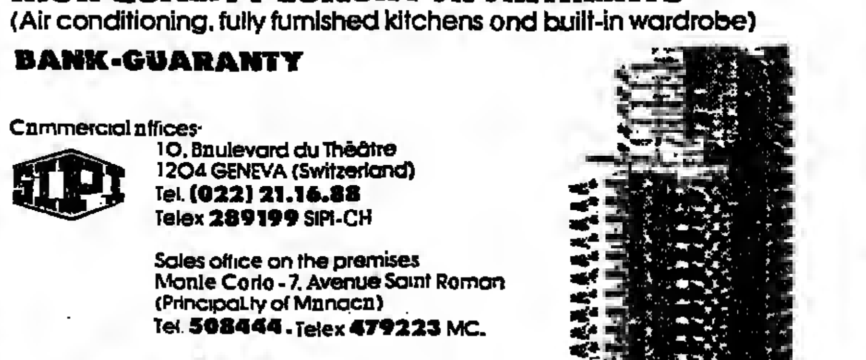
To solve this problem, … has developed a simple parking device for the capstan. The device is secured by a hinge to the end of the lathe, and consists of a short section of lathe bed mounted on a trolley. The top of the trolley fits flush with the lathe bed, and when the capstan is to be removed it slides along the bed and onto the trolley which is then swung clear of the lathe.

Units are available for any centre lathe of 5 inches centre height or over.

More from the maker at … Burners Lane, Kiln Farm Industrial Estate, Milton Keynes, Bucks., MK11 3BU (… 563465).



RESIDENTIAL PROPERTY



COMPANY NOTICE

EUROPEAN PROPERTY INVESTMENT COMPANY N.V.
Established in Amsterdam

In the Annual General Meeting of Shareholders, held on 15th December 1977, a dividend of Dfls.4.- per share with a nominal value of Dfls.100.- has been declared over the year 1976/77.

As from 27th December, 1977 a dividend of Dfls.4.- per share with a nominal value of Dfls.100.- is payable under deduction of withholding tax, against delivery of coupon no. 4 at: Bank Mees & Hope NV, Amsterdam; Banque Internationale à Luxembourg, Luxembourg.

The Board of Managing Directors.

Amsterdam,
19th December, 1977.

APPOINTMENTS

MOTOR CARS

The Management Page

EDITED BY CHRISTOPHER LORENZ

BRUSSELS

Harmonising the bankers

By Guy de Jonquieres

DESPITE the rapid growth of international banking activities over the past decade, there are still substantial legal and technical obstacles which can make it difficult for a bank based in one EEC country to do business in another on the same terms as local competitors. In many cases, they are due to genuine differences in the structure of the industry and supervisory practices, though sometimes they can also mask a deliberate effort to exclude foreign competition.

The basic principle of freedom of establishment for banks has been recognised in the Community since 1973, but it has remained somewhat theoretical in the absence of any effective moves to iron out national anomalies. The first step towards giving it a practical application was taken at the end of November, when EEC finance ministers approved a general framework directive governing banking activities throughout the Nine.

Unlike the ambitious early drafts produced by the European commission at the time of the six-member EEC, which sought to impose rigid and detailed rules for harmonising banking practices, the directive is modest in its immediate aims. Rather than seeking uniformity for its own sake, it proposes only to "eliminate the most obstructive differences between the laws of member states;" this should be done through international collaboration, guided by a number of general principles which it lays down.

Technically, the directive is concerned with "credit institutions" which it defines as undertakings whose business is to receive deposits or other repayable funds and to grant credits on their own account. Specifically exempted are national central banks and Post Office Giros throughout the Nine, while in Britain exceptions have also been made for the National Savings Bank, the Commonwealth Development Finance Company, agricultural mortgage corporations, credit unions, municipal banks and Crown Agents.

The most novel provision is that anyone wishing to set up a new bank will have to apply in future to national authorities for an EEC licence, which will be granted only if certain minimum conditions are met. To ensure equality of treatment, those countries like Ireland and Italy—which use "economic need" as a criterion for new bank authorisations, will be required to phase it out over a maximum period of 12 years.

The directive also envisages explicitly the adoption of common EEC rules on liquidity and solvency ratios, the withdrawal of licences, the treatment of non-EEC banks, and confidentiality of inter-departmental information within banks. The task of determining exactly what form the rules should take will be entrusted to two consultative groups: an advisory committee comprising representatives of all the supervisory authorities in the Nine plus the Commission, and a smaller contact committee with less than a dozen members, which is expected to help draw up most of the detailed proposals.

Robin Hutton, the director of the Commission's financial institutions department and one of the architects of the directive, hopes that the contact committee will evolve into a forum for broader exchanges between banking supervisors in the Nine. Hutton, a merchant banker who left Hambros to come to Brussels in early 1973, recalls: "It was rather shocking to me to discover when I got here that supervisory authorities in different countries didn't talk to each other in any formal or organised way." He believes that some of the international ramifications of crises like the collapse of the Herstatt Bank in Germany in 1975 could have been contained if there had been better cross-frontier co-ordination between the interested countries.

Hutton sees future efforts to flesh out the framework directive concentrating initially on five main areas:

The establishment of agreed methods of asset valuation and the presentation of banking accounts. Banks were excluded from the EEC's draft directive on Company accounts and commission staff are now drawing up proposals for a separate directive to fill the gap.

Agreement on solvency and liquidity measures to be applied equally by supervisory bodies to all banks in the EEC.

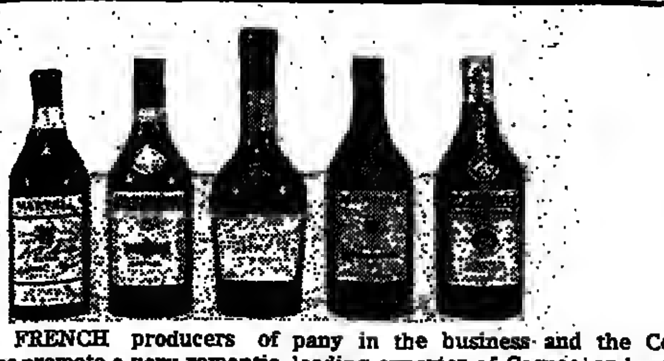
The exchange of credit information. Belgium, France, Germany and Italy already have systems whereby central banks collect and consolidate data on the total credit outstanding to major borrowers and channel the information back to commercial banks. But so far none of these systems has been extended across national frontiers, and some banks in other countries are resisting the introduction of such a scheme on the grounds that it could breach confidentiality and lead to higher costs. Those already involved, however, argue that it is fairly inexpensive and helps in monitoring credit risks.

Deposit insurance. Only Germany has a formal system in operation at present, and only for private banks, though one is proposed in the British Government's recent White Paper on banking, which has been drawn up to conform with the objectives of the directive. The aim at EEC level would be to ensure that broadly similar protection was provided to depositors in all countries, though the commission believes that the precise details of schemes could be left to national governments to decide.

Standards, when agreed, could be incorporated into a planned directive laying down uniform procedures for winding up failed banks and setting down general guidelines for future rescue operations like the Bank of England's "lifeboat."

A directive could also be introduced to open up the housing finance market, which is currently structured almost exclusively along national lines. EEC citizens who move from one country to another can have considerable difficulty raising loans if they are not personally known to local mortgage companies. It would take comparatively little change in most national legislation to enable building societies and similar institutions to finance property purchases outside their own national frontiers — provided that exchange control laws permit such transactions.

It will probably be a while yet, though, before the EEC is ready to give effect to such further moves. While the banking directive undoubtedly represents a breakthrough of a kind, much basic detailed work remains to be done before it begins to have any tangible impact, and any attempt to assess the speed of progress from now on must bear in mind the time it has taken the EEC to pass even this modest milestone.



Cognac takes to the public

By Kenneth Gooding

THE FRENCH producers of Cognac promote a very romantic image for the drink they call the water of life." Cognac must mature for at least five years in oak barrels and the study which evaporates into the air above the village of Cognac is said to be "the angels' share." In the House of Martell there is a room containing the very old Cognacs and it is named "Paradis." There is even a touch of science about some of the medical claims the French make for Cognac. In moderation, they insist, it has a distinct nutritious value; it accelerates digestion; is the least offensive of all sedatives, can prevent or combat colds or fight fevers; it improves the functioning of the heart and of blood-circulation; it is a remedy for arthritis, diabetes and asthma as well as being thought to prolong life generally. They also insist that "it is as improbable that the lover of Cognac should become a drunkard as it is that the drunkard will become a lover of Cognac."

Until two years ago the public had no chance to invest in the production of this wonderful liquid. But then Martell, which claims to be the biggest company in the business and the leading exporter of Cognac, and which has been a private company for more than 260 years with a management team belonging to the eighth generation of the founding family, sold 26 per cent. of its shares on the market.

It was a major, not to say traumatic, move for the existing shareholders. To start with it is said that 11 of them became (sterling) millionaires as a result. But this is hearsay. The less palatable aspect for some of them was that the company, used to spreading a cloak of secrecy over the financial side of its operation, now had to go through the painful process of opening its books to the public gaze.

Personalities

The company has more recently come to another important turning point. Michel Martell, the Cambridge-educated Anglophile president, retired in July and has been succeeded by René Martell, his cousin, who was previously the 51-year-old finance director.

The two, although they are both direct descendents of the Jean Martell who left Jersey in 1715 to set up the company in Cognac, have very different personalities, a fact which René quickly acknowledges. "Michel is a wonderful salesman and he has had a tremendous influence on the company. Now we must change our style and it will be more a matter of teamwork."

In spite of the shock to the systems of some members of the family, René insists that going public has been good for the Martell company. The reasons behind the sale of shares were not particularly original and are those which have forced many a family company to spread its ownership. There was an ever-increasing demand on the existing few shareholders for finance for the expansion of the business. There was the question of possible dissent within the family about the takeover approaches which arrived with monotonous regularity once a month from various sources. And there was the question of getting a proper valuation for the shares.

Ironically René believes that the Paris Bourse has never had a chance to put a "respectable" price on Martell shares because prices generally have been depressed throughout the first two years of quotation. For example, when I talked to him the stock market value of the company was around Frs.230m. against the book value of the Martell parent company stocks at Frs.443m.

René Martell is full of Gallic caution. But with good reason. Some 92 per cent. of Martell's sales come from exports (to 170 countries) so "you must take a conservative approach to prospects when local political decisions could change important overseas markets overnight." He quotes examples: Italy increased the VAT on imported spirits from 17 to 34 per cent. this summer. Denmark also pushed up duties on imported liquors. "So even EEC countries put up barriers to other Community countries' products."

Fortunately, Martell's best market, the U.K., is also "the fairest in the world and the only one in the world which does not have separate, more favourable, duties for locally-produced spirits."

Martell is the epitome of the "one product company," so why not diversify?

René says: "Personally, I am not very enthusiastic about growing, growing, growing. I believe you can control your business better if it is slim rather than fat. In any case, all our executives are fully employed and we must make sure that there is good management in any company we wish to acquire."

And, after some further thought: "I can't visualise myself behind a desk all the time reading computer print-outs. I like to see the people. We Martells are too much like farmers; we like to feel our feet on the soil."

As it happens, since he became chairman the Martell group decided to sell off the Noilly Prat aperitif business to Martini and Rossi. "After four years we found we did not have the right structure for distributing and selling Noilly in France. We either had to invest more money and set up a separate sales operation for Noilly or sell it. We decided to sell."

Martell is, however, a relatively big business and formal management structures are well-established within the group. For the first time this year the company produced consolidated figures, which took in the results of its drinks distribution business in France and subsidiaries in Mexico, Venezuela, Hong Kong and South Africa. Consolidated turnover for the year to June 30 was Frs.589.6m. (roughly £69m.) and profits before tax Frs.70.6m. (around £8.3m.).

About one-fifth of sales, or Frs.100m. (£14m.) went to the U.K., followed by France itself, the U.S., Germany, Belgium and Canada with the Far East plus Singapore also ranking highly.

In the U.K. Martell Cognac has been handled since 1833 by Matthew Clark and Sons, one of the few remaining "quoted" wine and spirit groups. There is no formal contract between the two companies and Martell has only a few shares in Clark—"less than 1 per cent."

René maintains: "I have some personal shares in Matthew Clark—also less than 1 per cent.—and I will keep them for ever. So I never look at the price and I have no idea at all about how much they are worth."

Using its quoted status for the first time Martell has just completed a two for five rights issue, to raise Frs.108m. (around £12m.), with the proceeds going towards the reduction of short-term debts and financing stocks.

The family shareholders will take up their entitlement and maintain their total holding at 75 per cent. of the issued capital. "We did not really want to sell a quarter of the shares but the Stock Exchange insisted that was the minimum acceptable."

Family control of the executive Board also seems a certainty for the foreseeable future. At the moment the three directors (five is the maximum permitted under French law) are René, his cousin André Martell and his brother-in-law Yves Flury. "There are five other members of the family in the business at the moment so the Board will almost always be made up of members of the Martell family." René admits with a grin.

BUSINESS PROBLEM — BY OUR LEGAL STAFF

Xmas tenancy

We bought some land in 1973 which, we were told, was rented by a farmer in a Christmas tenancy, which we supposed meant it must be vacated for a while. The rent is quite inadequate and the farmer will not agree to any appreciable increase. Can we insist? Is there any possibility of terminating the tenancy?

It is far from clear what the nature of the tenancy is. The provisions of the Agricultural Holdings Act 1948 will apply so that rent cannot be increased except by arbitration unless the proviso to Section 2 applies. That relates to an agreement licensing or letting the land in contemplation of its use only for grazing or mowing during some specified period of a year. The mere description of a tenancy as a Christmas tenancy does NOT import such a restricted period, but an annual tenancy renewing on 25 December every year. Unless therefore you have other evidence as to the character of the tenancy it will fall within the general protection of the 1948 Act.

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

COMPANY NEWS + COMMENT

Lonrho down £5m. after last quarter drop

A £13.6m. downturn in final quarter profits to £28m. has left taxable profit of Lonrho £5m. lower at £88m. for the year ended September 30, 1977.

The result is after a £9m. rise in the group's interest bill to £22m., and came on turnover 18 per cent. higher at £1.26bn. Directors say the increased interest charge arises mainly from acquisitions and investments in the U.K. This policy should progressively enhance the U.K. cash flow in the current and future years.

They say that the year's figures were affected to a material extent by exchange rate movements, profits from the sale of properties and the writing back of depreciation arising from revaluations.

After tax of £32m. (an adjusted £39m.) and minorities, but before extraordinary items, attributable profit comes out at £47m., up from £40m. Although attributable profits are 18 per cent. higher earnings per share are only marginally ahead at 26.2p (26.1p) per 25p share following the group's one-for-seven rights issue.

	1977	1976
	£m	£m
Turnover	1,257	1,070
Group	1,170	1,004
Associates	87	66
Profits before interest, tax	110	106
Interest	22	13
Profit before tax	88	93
Group	70	77
Associates	18	16
Tax	32	39
To minorities	9	14
Attributable	47	40

* Restated. †Before extraordinary items.

See Lex

HIGHLIGHTS

Lonrho presents the market with some disappointing figures. Full-year profits are down from £93m. to £88m. pre-tax, quite a landmark, for it is the first time in the company's history that it has had to report a setback. Lloyds and Scottish reports on a happier note with pre-tax profits up by a fifth, aided by the sharp decline in interest rates. Meantime, at FMC, there is a £427,000 interim loss but better things are promised in the second half. Linfood's profits are up by 19 per cent. despite the ravages of the high street price war, and the group looks to be heading for £6½m. for the full year. Elsewhere, the depression in the steel industry has hit Cooper Industries, profits down 27 per cent. overall, but Petbow has come up with a reasonable performance relative to its competitors.

Petbow first-half progress

FURTHER progress was shown by Petbow Holdings during the six months to September 30, 1977, with taxable profit advancing from £1.29m. to £1.44m. However, increasing competition in overseas markets, together with the hardening of sterling, affected margins, the directors state.

Sales were £3.17m. better at £10.01m., with the U.K. export content up from £6.11m. to £8.53m.

Improved profits and sales are expected for the current year the directors say. Full time profit for 1976-77 was a record £2.79m.

The company has settled wages and salary negotiations within the Government's guidelines and is directing efforts towards greater cost effectiveness.

In recent months the company's U.K. market has shown signs of reviving. The company, which makes generating and welding sets, has received a number of substantial overseas contracts and, as a result, has a very satisfactory order book they add.

The net interim dividend is raised to 3p (2.73p) and will be paid with an additional 0.076p for last year following the change in the rate of ACT. Mr. J. Bird and Mr. E. Bird intend to waive their rights to the interim payment on 1.88m. shares. For the year the directors propose to pay a 5.6 (5.036p) final taking the total to a maximum permitted 8.6p.

Net profit for the half-year emerged at £692,000 (£617,000) after tax of £750,000 (£668,000). There was an extra-ordinary debit this time of £41,000 (nil) relating to further costs resulting from closure of Australian subsidiaries.

● comment

Compared with Dale Electric's first half 1977 increase of just 2.8 per cent., Petbow has performed well with a profit increase of over 12 per cent. This has been achieved by concentrating on exports which jumped by 40 per cent. The main growth area has been the OPEC countries where the enormous demand for power has opened up large markets for Petbow's generating sets and welding equipment. However, stiff competition from U.S. manufacturers, compounded by a weaker dollar and stronger pound, has taken its toll on margins. Meanwhile U.K. trading has been very quiet but there should be some benefits in the second half from a recent upturn in demand from industrial and commercial companies seeking an alternative power source. Upwards of £3m. should be possible for the full year which, at 184p, would give a prospective p/e of 8.3 fully taxed, while the yield is 7.2 per cent., compared with a p/e of just over 9 for Dale.

Norton & Wright up at midway

WITH TURNOVER rising from £1.19m. to £1.56m. profits of Norton and Wright, producers and distributors of fund raising cards and schemes, improved from £273,857 to £316,671 in the half year ended September 30, 1977.

The interim dividend is increased from 1.17p to 1.31p net—the total for 1976-77 was 3.7868p paid from profits of £63,636.

After tax of £165,000 (£143,000), the net profit emerged at £151,671 (£130,857). Earnings per share are stated to be up from 4.66p to 5.4p.

Linfood near £3m. —confident

AN ADVANCE of 18.83 per cent. in taxable profit from £2.480,000 to £2,947,000 was achieved by Linfood Holdings, wholesalers, retailers and cash and carry distributors, for the 28 weeks to November 12, 1977. Similar growth was shown by sales which were ahead from £147m. to £174m.

The directors say they are looking to the future with confidence in spite of a deterioration in trading conditions owing to the decrease in consumer spending and the High Street price war. Last year full-time profit climbed to a record £5.81m.

The net interim dividend is raised to 3p (2.5p adjusted for one-for-one scrip issue) per 25p share absorbing £623,000 (£373,000). For 1976-77 the final was equivalent to 3.995p.

Because of accelerated capital allowances and stock relief no corporation tax is expected to be payable for the first half but ACT amounted to £321,000 (£242,000).

● comment

Interim profits from Linfood look good hearing in mind that all but the first six weeks of the period was covered by the high street price war following Tesco's price cuts last summer. The Spar organisation, representing mainly small independent retailers, has held up well in the face of fierce competition and this is reflected in Linfood's wholesaling division and the 88 stores it owns trading under the Spar banner. Overall profits are up 19 per cent., hut there are just four points of volume, though it is impossible to judge whether the Gateway acquisition is expanding faster than the original group. Meanwhile the cash and carry side is steadily improving. Though its customers among the independent grocers may have been hit by the price war more than half its sales are to customers outside food retailing—restaurants etc. The outlook for the second half hinges on Christmas but it is hard to imagine that competition will ease. However, £6½m. pre-tax is a reasonable expectation for a prospective p/e of 11 (fully taxed) and yield of 8.2 per cent. at 176p.

Cooper Inds well down at halfway

A DROP from £936,000 to £685,000 in group pre-tax profit is reported by Cooper Industries for the six months ended October 31, 1977. The contribution from associates was up from £116,000 to £213,000.

The directors explain that the depressed trading conditions continue in the current period and are affecting most of the company's trading interests.

They are continuing with a substantial capital expenditure programme to improve the company's competitive position.

An interim dividend of 0.4p is declared and th directors anticipate that the final will be the maximum permitted at 0.477p. The total for the previous year was 0.782p paid from profits of £1.78m.

Turnover of the group (steel re-rollers, precision engineers, builders and metal sprayers) rose from £10.29m. to £11.32m. in the half year. After tax of £370,000 (£497,000), the net profit came through at £315,000 against £450,000.

● comment

Cooper Industries profits before associates have dropped by almost 43 per cent. after six months as the depression in the steel industry has taken a large bite out of earnings and group margins have slipped from 7.9 per cent. to 4.2 per cent. Associate profits, however, have recovered and are up almost 84 per cent. after last year's 21 per cent. decline reducing the profit fall at the pre-tax level to 27 per cent. There may be some change in the group's profit mix over the second half since the group has re-purchased the 60 per cent. stake in Jevons Cooper which it sold in 1975. But the underlying trading picture looks like remaining depressed and the group reports that it is operating considerably below capacity. Meanwhile the shares at 12½p yield almost 11 per cent. on a forecast maximum dividend.

GENERAL ENGINEERING

In the half year ended September 30, 1977, sales at General Engineering (Radcliffe) fell by £1.72m. to £2.84m.,

The Woolwich

Sir Oliver Chesterton speaks of "striking a fair balance between investors and borrowers."

Addressing shareholders at the 130th Annual General Meeting of the Woolwich Equitable Building Society, the Chairman, Sir Oliver Chesterton, rejected recent criticisms that building societies do not adjust their interest rates frequently enough, or quickly enough. "This allegation ignores the very nature of our business" he said. "We have to strike a fair balance between the sometimes conflicting interests of our investors and borrowers. Our main objective is to maintain a supply of funds for house purchase."

"Our investors entrusted to us the considerable sum of £659m and their balances increased by a record £263m."

Net receipts from investors and capital repayments on existing mortgages enabled the Society to lend on mortgage the highest ever sum of £351m. At the year end, 30th September 1977, the Society's total assets at £1,772m were 19% greater than at the beginning of the year.

"The General Reserve at the year end stood at over £58m."

Given the way in which economic conditions can change so rapidly, Sir Oliver went on to say "this Reserve is a very reassuring item and materially contributes to the public's confidence in the Woolwich Society."

"It was an exceptional year of starkly contrasting conditions."

The Society's ability to cope with the sudden changes in money market conditions derives from its level of liquid assets, which at the year end totalled £327m or over 18% of total assets.

"We have had an excellent year and look forward to similar results in the current year."

The past year has shown how quickly the market can turn in building societies' favour, and how quickly it can turn against it. Commenting on the future of building societies, Sir Oliver referred to the Government's Housing Policy Review and its recognition that home ownership would not be so widely spread in this country without the financial mechanisms which building societies have provided. "The philosophy within the Review," he said, "is not at variance with our own and the Woolwich will continue to do its best to help as many people as possible to become owner-occupiers."

Copies of the Annual Accounts of the Society and the full text of Sir Oliver Chesterton's address, are available from the Secretary at the Society's Head Office.

WOOLWICH EQUITABLE BUILDING SOCIETY London SE18 6AB

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Batleys of York		1	Feb. 23	0.9	—	3.28
Bell and Sime	int.	0.88	Feb. 3	0.88	—	4.27
Bluemel		2.17	April 4	2.11	3.67	3.34
Catolin	int.	0.63	—	0.58	—	2.68
A. Cohen	int.	1.93	—	1.72	—	4.91
Cooper Inds.	int.	0.4	April 3	0.4	—	0.79
Crystalate		0.66	—	0.33	0.66	0.33
Danae Inv. Tst.	int.	1.33	Feb. 24	1.21	—	2.83
Danks Gowerton	int.	0.7	—	0.7	—	2.36
Equity Consort	int.	1.98	Jan. 31	1.95	—	5.91
Linfood	int.	3	Feb. 13	*2.5	—	*8.5
Lloyds and Scottish		†2.41	Feb. 10	2.13	3.95	3.53
Norton and Wright	int.	1.31	Feb. 2	1.17	—	3.79
Nova (Jersey)	int.	0.5	Feb. 13	—	—	0.3
Petbow	int.	‡3	Jan. 30	2.75	—	7.7
Plexton's		4.6	—	3.92	§7.8	6.49
Radiant Metal	int.	0.55	Jan. 31	0.5	—	1.73
Alexander Russell	int.	1.44	Jan. 31	1.22	—	2.01
Scottish Homes Inv.	int.	0.6	Feb. 10	0.5	—	1.1
Turner Curzon	int.	0.32	—	0.32	—	0.72

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Additional 0.076p for 1976-77. § For 57 weeks.

Spear & Jackson forecast takes a knock

A declining inflation rate has forced Spear and Jackson International to slash its profits forecast for 1977. In a surprise statement last night the group abandoned its September promise of a material improvement in profits this year. In after hours trading the shares fell 6p to 132p on the news.

The statement explains that in view of lower than expected U.K. sales, the effects of a sharp fall in the rate of inflation and the rise in the value of sterling, "the Board now considers that the profits for 1977 are unlikely to exceed the profits of the previous year."

The hand tool group turned in pre-tax profits of £1.4m. in 1976, and when reporting half year profits of £1.02m. three months ago, the group wrote that "we shall be very disappointed if the profits for 1977 do not materially exceed those of 1976."

Mr. Leonard Grosbard, the group's managing director, explains that around 70 per cent. of the first half profits came from stock appreciation. Lower steel prices have wiped out stock profits for the past quarter, and killed hopes of achieving the anticipated profits recovery that led the stock market to expect full year profits of more than £2m.

Mr. Grosbard says that the Board will not consider the question of dividends until next April. In the meantime, there are no plans to comment on the 14.423p a share gross dividend forecast for 1977 made during Spear and Jackson's successful bid defence against Hestair earlier this year.

A. Cohen maintains £1m. so far

REPORTING TAXABLE earnings maintained at £1.1m. for the first half of 1977, the directors of A. Cohen state that profit at full time will be down on the near record £2.14m. achieved last year.

This will be due partly to difficult trading conditions and unfavourable exchange rates they say.

Sales by the group, which refines metal and manufactures non-ferrous alloys, were ahead from £17.2m. to £21.89m. for the first six months.

Stated earnings per 20p share came out at 24.63p (24.47p) and the net interim dividend is raised to 1.925p (1.724p). The final for 1976 was 3.186p.

Tax for the half year took £428,000 (£455,000) and after minorities attributable profit emerged at £454,000 (£451,000).

Polly Peck spells out new arrangements

Polly Peck (Holdings), the fashions and property group, which sought and obtained a re-quotation in April, 1976, following a restructuring of group borrowings, has announced its figures for the half year ended September 30, 1977. The latest results relate only to Polly Peck and its fashion subsidiaries.

These show a net loss of £25,000 against a profit of £14,000, after interest of £7,000 (£10,000) and tax nil (£16,000). Turnover amounted to £655,000 against £766,000.

On April 8, 1976, the Board circulated shareholders with details of the arrangements entered into by the group with National Westminster Bank for the reorganisation of group borrowings.

Mr. B. Zelker, chairman, says that the principal objective of this arrangement was to enable those companies in the group engaged in the fashion business to continue to trade profitably, as they had previously been doing, by terminating, save to a pre-agreed and defined extent, the then existing liability of those companies for the indebtedness to the Bank of those companies in the group engaged in property investment.

It subsequently became apparent to the Board that it would be in the best interest of the company and its shareholders if this process of separation were to be carried to its logical conclusion by securing the release of the companies in the fashion division from their remaining liabilities in respect of the indebtedness of the property division, thereby effecting a complete separation between the activities of the two.

Following recent discussions between the Board, the Bank and legal advisers, a detailed agreement was reached as to the manner in which the separation should be achieved. The main terms of the agreement can be summarised as follows:—

1. The Bank agreed to accept a sum of money in full and final settlement of all liabilities of the fashion division to the Bank, as a result of which the net assets of the fashion division will show an increase of some £160,000.

2. The Bank agreed to the release of:

(a) its fixed and floating charges over the assets and undertakings of each of the companies in the fashion division;

(b) its legal mortgages over certain of the leasehold properties owned or occupied by such companies;

(c) its charge over the £1 Cumulative participating Preference shares owned by Redwing Properties in R. Zelker, the principal trading subsidiary in the fashion division.

3. Provision was made for:

(a) the transfer back to the fashion division of certain of the leasehold properties owned or occupied by its companies and previously agreed to be transferred to Redwing Properties;

(b) the termination of the special rights attaching to the Preference share by its conversion into an ordinary share, and the transfer of such share by Redwing Properties to a company in the fashion division, thereby effectively putting an end to the liability of R. Zelker to pay, by way of dividend to Redwing Properties, amounts which would otherwise have totalled at least £125,000 over a 5-year period.

4. Finally, it was agreed that the companies in the fashion division would each close their respective accounts with the Bank.

Mr. Zelker says that prior to entering into the agreement with the bank the Board considered alternative sources of finance to enable the agreement with the bank to be implemented and to provide an adequate working capital facility to take the place of the facilities hitherto made available by the bank. As a result of discussions with another bank the Board received an offer to make available a facility, secured by fixed and floating charges over the assets and undertakings of the company and its fashion division subsidiaries, which is considered by the Board sufficient to meet the company's requirements.

The Board considered that it was in the best interest of the company and of its shareholders to accept the offer from the new bank and to implement the agreement with the bank and this was accordingly done on November 11.

In the Board's view the conclusion of these arrangements—involving, as they do, the cancellation of direct indebtedness of companies in the fashion division to the bank, a release of the companies in the fashion division from their remaining liabilities to the property division, and the establishment of the new working capital facility with the new bank—will achieve a significant improvement in the net asset and borrowing position of the fashion division companies, and should do much to ensure the future profitability of the fashion division.

ISSUE NEWS

Yearlings down to 7⅝%

The coupon rate on this week's batch of yearling bonds has eased lower at 7⅝ per cent. at par compared with 7⅞ per cent. last week: the bonds are due on January 3, 1979. This week's one year issues are: Lancashire County Council (£½m.), Borough of Chesterfield (£½m.), City of Dundee District Council (£½m.), Metropolitan Borough of Sandwell (£½m.), West Wiltshire District Council (£¼m.), Gwent County Council (£½m.), West Somerset District Council (£½m.), Kirklees Metropolitan Borough Council (£½m.), Tweeddale District Council (£½m.), London Borough of Barnet (£1m.), Erewash Borough Council (£½m.), Forest Heath District Council (£½m.), Greater Manchester Passenger Transport Executive (£½m.), London Borough of Greenwich (£1m.), Woodspring District Council (£½m.), Chorley Borough Council (£½m.).

Two year bonds carrying a coupon of 8¾ per cent. and due on December 19, 1979 at par are issued by Teignbridge District Council (£½m.), South Yorkshire County Council (£½m.) and Congleton Borough Council (£½m.). Chelmsford Borough Council has raised £½m. of 9¾ per cent. Bonds due on December 17, 1980 at par.

Five year bonds carrying a coupon of 10⅛ per cent. and due December 15, 1982 at par are issued by Ettrick and Lauderdale District Council (£½m.), Dartford District Council (£½m.).

Four year variable rate bonds due December 16, 1981 are issued by Bolton Metropolitan Borough Council (£1m.) at par.

Five year variables at par due on December 15, 1982 are issued by East Devon District Council (£½m.), and Tonbridge and Malling District Council (£½m.).

● NEWS ANALYSIS - SPINK TAKEOVER

The private face of shipping

BY CHRISTINE MOIR

Monday's announcement that just over half the shareholders of international coin and fine art dealers, Spink and Son, have accepted a bid from Andrew Weir, means that Spink will now inevitably go private.

The group it will be joining does not just have a low profile; it has virtually none at all. Yet it is said to be the third largest private company in the U.K. and it is number 109 on the table of the Times 1,000 largest industrial companies. There are 4,283 employees: shareholders funds at the end of last year were £78m.: capital employed was £147m. producing pre-tax profits of £12.4m.: and there was around £88m. in cash and marketable securities.

Roughly 80 per cent. of the assets and profits come from shipping plus investment income generated out of shipping surpluses. Andrew Weir owns the Bank Line which operates 50 dry cargo ships of about 17,000 tonnes dead weight apiece. The next biggest slice of profits comes from marine insurance underwriting, including a pooled venture with Legal and General. Then there is insurance broking and investment dealing plus a half share with East Asiatic of Copenhagen of the United Baltic Corporation and its subsidiary, Macandrews which operates a further 12 vessels.

Andrew Weir is the family name of Lord Inverforth (nothing to do with the engineering Weir Group. "Lord Weir just managed to snaffle the title a few years before my grandfather," says the current chairman and third baron, Roy Weir) whose family and charitable trusts control the whole group.

It all began in 1885 when Andrew Weir, a Scottish bank clerk, persuaded his bank to lend him money to buy a ship. By the turn of the century his Bank Line was the world's largest fleet. (It still represents 12 per cent. of total British registered liner tonnage.) Afterwards came underwriting then broking, then investment dealing as the surpluses piled up. Along the way Mr. Weir had been Minister for Munitions in the Great War.

Since the third baron became chairman in 1971 pre-tax profits have shot up from £1.4m. to a peak of £12.5m. in 1975. Last year the slump in world shipping (which has worsened this year, according to finance director Mr. Robert Fawcett) knocked operating profits from shipping but the sale of ships for £3.5m. left group pre-tax profits at around £12.4m.

Despite the extreme cyclicality of shipping there is no sign that the shipping interests are to become less important. Since the second world war the company has spent £200m. on 84 ships (all built in Britain and mostly at Sunderland). It now has a further nine ships on order for delivery between the spring and 1979. Total tonnage 166,000; price £73m.

This puts into some sort of context the £5m. offer for Spink. Weir is looking for two things from this acquisition: a slight defence against shipping and marine insurance cycles; and a boost to return on capital. If Spink makes its forecast £1m. pre-tax profits this year Weir will get a return of around 20 per cent. whereas the present business currently produces just over 9 per cent. despite the good run on the back of gilts over the past year.

Spink, however, will only be a small part of the group. Weir is adamant that it is not planning to diversify away from shipping. Nor does it have in mind to be a conglomerate. In this context the purchase of a 10 per cent. stake in Wilmot Breeden last September seems to have been both an aberration and a disappointment. Wilmot's shares have now fallen back and Weir has decided that strategic but non-controlling stakes are not for them.

On the other hand there may be more purchases along Spink lines where there is existing skilled management running a profitable business with a good asset base and where Weir's financial muscle could be the catalyst for expansion. In Spink's case that would be by way of substantial resources for the purchases of fine art collections.

Finally, it seems also clear Weir has no intention of going public. Capital Transfer Tax and Wealth Tax are clouds on the horizon which may eventually force the family to float its interests but, says Lord Inverforth: "I think we are safe for a generation yet."

Scottish Homes Inv.

Announcing taxable profits of £112,235 on turnover of £1.54m. for the six months to September 30, 1977, the directors of Scottish Homes Investment Company say they anticipate profits for the full year will exceed last year's £241,083. The tax charge for the first half was £25,000.

The net interim dividend is stepped up from 0.5p to 0.6p—last year's final being 0.6p.

CORINTHIAN

Corinthian Holdings has now received acceptances totalling £675,000 in respect of the offer to purchase its outstanding £600,000 10 per cent. convertible loan stock.

Equity Consort Inv. Trust

Pre-tax profits of Equity Consort Investment Trust rose from £160,192 to £226,985 in the October 31, 1977, half year. After tax of £81,547, against £57,373, net profit emerges at £145,438 compared with £102,819.

The interim dividend is up from 1.95p to 1.98p net per £1 share. A 3.96p final was paid last year on total profit of £376,181.

COUNTER-INFLATION ACT 1973

The Treasury have given consent to the declaration by the following companies of dividends of the total amounts specified for the financial years ending on the specified dates:

Dhamal Holdings Ltd.	Edinburgh	£29,659	31.12.[illegible]
Radley Fashions and Textiles Ltd.	London, W1	£66,851	19. 4.[illegible]
M.Y. Dart Ltd.	Barnet	£386,694	2. 7.[illegible]
Leon Berner Group Ltd.	Walsall	£18,182	31. 5.[illegible]
Audio Fidelity Ltd.	Leeds	£86,594	30. 4.[illegible]
George Whitehouse (Engineering) Ltd.	Birmingham	£23,447	2. 7.[illegible]
William Jacks and Co. Ltd.	Sunningdale	£54,113	30. [illegible]
Priest Marians Holdings Ltd.	Tonbridge	£9,394	30. [illegible]
French Kier Holdings Ltd.	Buckhurst Hill	£539,999	31.12.[illegible]
English and Overseas Investments Ltd.	London, EC2	£54,594	31. 3.[illegible]
Capital and Counties Property Co. Ltd.	London, SW1	£570,598	25. 3.[illegible]
Matthew Brown and Co. Ltd.	Blackburn	£1,004,244	1.10.77
The Talbex Group Ltd.	London, W1	£76,470	31. 7.77
Silverthorne Group Ltd.	Dudley	£79,545	2.10.77
Ransome Hoffmann Pollard Ltd.	London, SW1	£1,584,828	30. 9.77
Unochrome International Ltd.	Cheltenham	£152,038	30. 9.77
Stocklake Holdings Ltd.	London, EC2	£164,444	31. 3.77
Redfearn National Glass Ltd.	York	£971,087	2.10.77
Wellco Holdings Ltd.	London, SW1	£60,162	30. 6.77
Racal Electronics Ltd.	Bracknell	£2,938,658	31. 3.77
Avon Rubber Co. Ltd.	Melksham	£932,770	1.10.77
Duple International Ltd.	Blackpool	£370,052	31. 8.77

Published by the Treasury as required by the above Act.

ICI fibres side expects losses of £10-£15m.

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE FIBRES division of Imperial Chemical Industries is expected to make losses of £10m. to £15m. this year according to Mr. John Harvey-Jones, the main Board director with responsibility for fibre products.

The textile industry in Western Europe has been going through one of the worst slumps it has ever known.

Alexander Russell increase

Turner Curzon higher

Bluemel reaches £375,000

Toothill deficit increases

MONT. MEYER £15M. LOAN

Montague L. Meyer has raised a seven-year term loan of £15m. to finance working capital commitments. The loan was arranged and syndicated by Hambros Bank. A group of major international banks, including Hambros Bank as managers, participated.

FMC in the red but optimistic

WITH LOSSES arising in its meat, meat by-products, and Harris divisions FMC slumped from pre-tax profit of £1.13m. into a loss of £427,000 for the 24 weeks to October 15, 1977. External sales improved to £185m. compared with £162.9m.

The losses incurred by the meat division were partly due to adverse Common Market factors and partly to start-up costs in respect of three abattoirs and the temporary closure, for modernisation, of a fourth abattoir, the directors report.

However, management action has brought about a marked improvement in the results of the division over the past three months and the losses have been extinguished.

The by-products division ran into losses earlier in the half-year because of a slump in the price of hides, skins and wool but the position has improved over the last few weeks.

The poultry division has traded reasonably satisfactory against a background of over-production of poultry meat but the outlook to the end of the year is not encouraging, they comment.

The Harris division suffered serious losses at some of its factories, a critical review of every facet of the bacon and meat products business is being carried out with a view to reducing costs of labour, distribution, administration and other overheads while continuing to develop Crown Brand sales. Though the Board is confident of improving results in this division the main factors inhibiting the earnings of satisfactory profits are beyond their control.

As a result of the action being taken the directors consider that the company should be restored to profitability by the end of the financial year.

A decision on an Ordinary dividend will be deferred until the results for the full year are available.

For last year profits totalled £3.1m. and a net dividend of 6p per 25p share was paid.

The directors condemn the operation of the EEC rules on monetary compensatory amounts coupled with the U.K. Government's refusal to bring the Green pound more into line with its real value. The effects are "a grossly unfair legalised dumping" making it impossible for British-based producers to compete against imported meat products with any real hope of success, they contend.

	24 weeks 1977 £000	24 weeks 1976 £000	Year 1977 £000
External sales	185,088	162,955	378,622
Trading profit	527	1,908	5,319
Interest	880	730	2,112
Exceptional debits	—	—	320
Share assocs.' loss	74	59	+14
Pre-tax loss	427	†1,129	†3,101
Taxation	100	350	974
Net loss	527	†779	†2,127
Pref. dividends	106	19	185
Attributable loss	633	†700	†1,942

† Profit.

The New Zealand subsidiary is trading satisfactorily and profitably but, to avoid undue delay in publication of the half-year figures, its results were excluded. They will be consolidated at year-end.

Following the change in the accounting treatment of deferred tax, the comparative figures for 1976 first half have been restated reducing the tax charged by £237,000.

See Lex
Achilles heel page 29

Midway rise for Danae Inv. Trust

Net profit of Danae Investment Trust pushed ahead from £101,733 to £120,910 in the November 30, 1977, half year after all charges including tax of £84,001 against £78,246 previously.

The interim dividend is stepped up from 1.206p to 1.35p net per 50p share. A 1.625p final was paid last year.

Earnings per share are given at 1.73p (1.45p) and the net asset value per share is stated at 38.6p (20.75p).

Lloyds & Scottish full time rise is £2.9m.

FINANCIER Lloyds and Scottish boosted pre-tax profit £2.9m. to a record £17.39m. in the September 30, 1977 year. At half-way profit was ahead from £6.62m. to £7.63m.

Directors say the second half continued to show an increasing volume and market share for the instalment credit division and profitability improved as short-term interest rates fell.

In the first half although business was buoyant generally, high interest rates affected margins in instalment credit. But good results were achieved in the industrial and commercial division.

The profit for the year includes £4.37m. (£3.26m.) from associates and is subject to tax of £9.11m. (£7.62m.). Attributable profit emerges at £7.94m. (£6.05m.) after a £31,000 extraordinary credit (£398,000 debit).

Earnings per share are given at 7.69p (8.55p) per 20p share, and the final dividend of 2.4065p makes a maximum permitted total of 3.9465p (3.53337p).

The company is controlled by Lloyds Bank and the Royal Bank of Scotland.

Shareholders' funds climbed from £51.6m. to £59m. in the year while net borrowings rose £69.4m. to £332m. The ratio of borrowings to shareholders funds stands at 5.6 (5.1) and gross assets are now £533m. compared with £434.7m. a year ago.

Directors say it should be recognised that it is the group's policy to take deposits with a spread of maturities, so the full benefit of a fall in short-term money costs is not immediate.

Deferred taxation has increased from £27.5m. to £34.5m Under ED 19, most of this would be transferable to reserves, but the decision on such an accounting policy will be taken in the light of the full accounting standard when published, they say.

	1977 £000	1976 £000
Profit before tax	17,393	14,483
Co. and subsids.	13,024	11,227
Assoc. cos.	4,367	3,254
Taxation	9,109	7,617
Deferred	6,897	[illegible]
Other	191	+223
Assoc.	2,251	1,691
Net profit	8,282	6,866
To minorities	392	298
Extraordinary credits	31	*398
Attributable	7,941	6,048
Dividends	4,087	3,587
Retained	3,854	2,461

† Credit. * Debit.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's time-table.

TO-DAY

Interims—AGA Research, Edbro, Electric and General Investment, Highgate Optical and Industrial, Lindustries, R Paterson, Woodrow Wyatt.

Finals—BOC International, Record Ridgway, Sotheby Parke Bernet.

FUTURE DATES

Interims—

Peterborough Motors	Jan. 19
Stead and Simpson	Jan. 6

Finals—

English China Clays	Jan. 12
Glasgow Stockholders Trust	Feb. 7
Harburn Investment Trust	Jan. 20

Plaxton's advances to £1.64m.

SECOND HALF profits of Plaxton's (Scarborough), motorcoach builders, etc., advanced from £851,419 to £1.28m. pushing the total for the 57 weeks ended October 2, 1977 up from £0.93m. to £1.64m.

	1976-77 £	1975-76 £
Turnover	17,367,107	12,533,100
Luxury coach bldg.	14,014,764	9,894,336
Luxury coach repairs	1,635,904	1,223,462
Vehicle fitment	801,793	587,117
External bldg. etc.	915,946	828,185
Profit	1,636,545	933,419
Coach bldg. & repairs	1,337,063	696,645
Vehicle fitment	81,252	114,026
External building	140,669	174,244
Bank interest, etc.	77,561	47,806
Taxation	867,353	484,038
Net profit	769,192	449,381
Dividends after waivers	186,950	155,763
Retained	582,242	293,615

The dividend is raised from 6.4925p to 7.62p net, with a final of 48p. The chairman has waived the final dividend in respect of £44,242 (£36,601). A one-for-one scrip issue is also proposed.

After tax of £867,353 (£484,038), the year's net profit emerges at £769,192 against £449,381. The 1976 figures have been restated following a change in group policy regarding valuation of work in progress.

Crystalate up £0.18m. —rights

IN THE second half of 1976-77 profits of Crystalate (Holdings) expanded from £179,000 to £330,000 taking the total for the year ended September 30, 1977, up to £522,000 against £357,000.

A rights issue is proposed of one new share for every two held at a price of 10p each. The dividend is being stepped up from 0.325p to 0.66p net and is payable on the increased capital.

The directors say that the rights issue is to be used to reduce borrowings, strengthen the capital base and to facilitate the possible acquisition of a private company.

The group makes electronic components, plastic mouldings and liquid handling equipment. Turnover rose from £3.8m. to £5.16m. After tax of £253,000 (£111,000), the net profit came through at £269,000 against £246,000 and earnings per share are stated to be up from 3.78p to 4.21p.

Batleys midterm advance

ON TURNOVER well ahead from £16.79m. to £23.97m. cash and carry wholesalers Batleys of Yorkshire increased pre-tax profit from £203,795 to £252,161 in the October 29, 1977, half year.

After all charges including tax, net profit is £120,523 (£98,373) and earnings per share are stated at 3.43p (2.73p) per 10p share.

The interim dividend is up from 0.9p to 1p. A final of 2.3618p was paid on record profits of £453,267 last year.

An issue of one Preference share for each seven Ordinary shares held is proposed by directors.

Mortgage demand still high

Demand for mortgages is still high and more buoyant house prices are expected, according to the Woolwich Building Society.

Presenting the Society's annual report, Sir Oliver Chesterton, the chairman, said that the Woolwich was currently completing £45m. of advances a month. House prices had accelerated slightly in the last two months although he did not foresee "an unacceptable" increase in prices next year.

Sir Oliver said that although business was running ahead of expectations, it was appropriate to sound a note of caution. "We have seen how quickly the market can turn in our favour and how quickly it can turn against us. Recently, we have seen the first upturn in interest rates for over a year and while we cannot be certain that this indicates the start of a sustained upward trend, the effect has been to postpone any decision regarding another cut in building society rates."

Assets of the Woolwich at its year-end stood at £1.77bn., a growth of 19 per cent. over the previous 12 months. Liquid assets accounted for 18¼ per cent. of the total against 16½ per cent. at the start of the year. Mortgage lending reached £351m. against £318m. in the preceding 12 months.

SRI LANKA BLOCKS GRINDLAYS TRANSFER MOVE

An attempt by Grindlays Bank to transfer its entire 27 per cent. holding in the Hatton National Bank Colombo to a Sri Lankan trading concern has been vetoed by the Sri Lanka government.

The central bank has ordered the Hatton Bank not to register the transfer which business circles here say was negotiated in London.

The major share holder (35 per cent.) in the Hatton Bank is another Sri Lankan group of companies whose chairman is Mr. Edmund Cooray, head of Browns Group and a leading hotelier. The Grindlays shares were to be transferred to a local group whose chairman is Mr. Alfred Thambiah also a hotelier.

Grindlays claims that it consulted the Central Bank before the deal. But a top central bank official said that it was understood the shares would be sold to the public and not to a single company. This, he added, was against the Government's policy of spreading ownership.

When Grindlays invested in the Hatton Bank the previous Government allowed Grindlays to accept local deposits, a concession withdrawn from other foreign banks.

Little prospect for AIP Ordinary holders

Creditors of Amalgamated Investment and Property, the £212m. property group that collapsed in 1976, are unlikely to receive more than 50p in the pound.

Mr. Ian Bond, AIP's liquidator, warned yesterday that creditors may eventually have to accept "substantially less" than a 50p dividend. Although unsecured Loan stock holders will eventually receive a dividend Mr. Bond says that "on present information there will be no payment to Ordinary shareholders."

Mr. Bond reports that around 80 per cent. of AIP's properties—once valued at £212m.—have now been sold. As property sales reduce outstanding debts to secured creditors the sales have also cut the parent company's liabilities under loan guarantees.

At the time of the collapse, in May, 1976, the AIP parent company had a maximum potential liability of £108m. under loan guarantees. That has now been reduced to around £15m.

Radiant Metal moves ahead at halfway

The half year to August 31, 1977, at Radiant Metal Finishing Co. resulted in turnover rising from £328,462 to £336,936 and pre-tax profits advancing from £71,730 to £86,520.

The net interim dividend per 12½p share is increased from 0.5025p to 0.55p; last year's total payment being 1.1269375p from profits of £153,981.

After tax for the first six months of £44,990 (£37,300) the net balance emerges ahead from £34,430 to £41,530.

Nova (Jersey) jumps to £0.1m. so far

Taxable profit of Nova (Jersey) Knit jumped from £24,000 to £103,000 in the September 30, 1977, six months on turnover up from £2.37m to £2.88m.

Tax takes £53,000 (£12,000) and after extraordinary items attributable profit is £42,000 (£16,000).

Directors say that the changeable nature of the industry makes it impossible to make any profit forecast. However, the current and projected cash flows remain very satisfactory.

Earnings per 20p share are shown at 1.71p, against 0.41p and subject to Treasury approval a 0.5p interim dividend will be paid. Last year a first and final dividend of 0.5p was paid.

Seafield Gentex £0.5m. loss—no Preference payment

Bell & Sime down £7,639 at halfway

Scottish Equitable bonus

LONDON & ASSOC. INV. TRUST

MONEY MARKET

Exceptional shortage

Danks Gowerton slips to £0.35m. midterm

TAXABLE PROFIT of Danks Gowerton slipped from £446,867 to £347,854 in the six months ended September 30, 1977.

BRITISH CAR AUCTION EXPANDS

SHARE STAKES

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
Telephone: 01-248 8000

Wednesday December 21 1977

A surprising trend

THE GREATER part of the drop in total U.K. unemployment between early November and December was once again accounted for by a drop in the number of school leavers registered as unemployed. Although the absolute number of school leavers still registered is slightly higher than at the same time last year, much the same proportion of the annual crop—over 90 per cent.—has now been placed, either in work or in one of the training schemes sponsored by the Manpower Services Commission. It is true that there are particular groups of young people among whom unemployment is still very high, and it is debatable whether unemployment among school leavers is a greater social evil than, say, long-term unemployment among adult males. But at least this is one unambiguously encouraging aspect of the present labour situation, since earlier in the year it was widely assumed that the problem of school leavers would be especially intractable.

The improvement in the labour situation as a whole suggested by the latest statistics is, unfortunately, far from unambiguous. The unemployment figures are one of our most up-to-date and useful indicators, but they have been behaving oddly throughout this year. The underlying trend, after dropping between February and May, then rising very steeply between June and August, has fallen again for the past three months in succession while unfilled vacancies have risen.

Adjustments

Splendid news, you may say, especially if you happen to be Mr. Booth. Alternatively, you may wonder how this apparent rise in the demand for labour is to be reconciled with all the official statistics which suggest that demand and output are stagnant and reports from industry that (with the exception, perhaps, of skilled men in some trades) output could be increased considerably without any increase in the labour force. Either productivity is falling at a time when the Government's main aim is to increase it, or we now have the first indication of a revival in demand that has not yet shown up elsewhere, or there is something wrong with the figures.

The truth may well turn out to be a mixture of all these three: one can only suspend judgement and hope that, on the most pessimistic interpretation, the growth of unemployment is at least slowing down. But it may be useful to point out two ways in which the figures may be misleading. First, there is the fact — on which the Bank of England commented in its recent *Bulletin*—that the movements in unemployment this year have been "somewhat puzzling," with rises and falls in the underlying trend succeeding one another for little apparent reason. The Bank suggests that the unusually high level of unemployment in recent years may have "weakened the effectiveness of the seasonal adjustments." If this is so, the changes of trend have taken place only inside the Department of Employment, not in the real world.

Special schemes

Second, the recent fall in the seasonally-corrected total of registered unemployed—it was 12,000 in October, 1,000 in November and 6,000 in December—may be largely due to special factors. The largest of these drops, the first, was ascribed by the Department to an accident of definition, the statistical treatment of school leavers aged over 17 who are classified as adults. Mr. Healey in his mini-Budget the following day gave a specific warning against attaching much importance to this figure. Throughout this period, moreover, the various special employment and training schemes organised by the government have taken 33,000 people off the register. It is not known how many of these were school leavers, but it would take only a minority of adults to explain what has happened to the unemployment figures. In terms of the individual, of course, these schemes are as effective as anything else in getting one off the register. But they may make it more difficult to measure how regular demand for labour is behaving.

Problems for the Peruvians

THE LAST 12 months have been particularly difficult for those who manage the economic fortunes of Peru. The continuing low prices of copper and sugar, two important export items, have considerably reduced the country's earning power and the bills have started to come in for a number of costly acquisitions, including large quantities of arms purchased by the Peruvian military government from the Soviet Union. The balance of payments situation has got steadily worse and the ebbing confidence of Peruvians and foreigners alike in the government's ability to manage the economy has been reflected in the rapid depreciation of the sol.

Austerity

At the end of last month the International Monetary Fund agreed to a $105m. credit to support the austerity plan outlined earlier in November by General Alicibiades Sáenz, the finance Minister in the government of General Francisco Morales Bermúdez.

The IMF move was generally expected to result in private bankers coming to the aid of the Morales government which faces a particularly heavy schedule of payments in the first few months of next year. The willingness of some banks to help the Peruvian authorities in a difficult situation had already been signalled when a group of institutions led by Chase Manhattan and the U.S. Export-Import Bank arranged new facilities for the very big Cuajone copper mine development. Now it appears that the Fund is attaching particularly stringent conditions to the disbursement of the credit and that private banks will be thinking twice about lending more to Peru.

For its part the U.S. is reported to have refused to a request for an emergency loan to the Morales administration which could be used to meet payments falling due to the Soviet Union on account of arms purchases. There is no reason whatever for the U.S. to assist the Peruvian government to meet its bills for Soviet weapons and if Peru's request for emergency help were based solely on its need to satisfy its Soviet creditors then Washington's decision was unexceptiona If the Soviet Union has sold arms to a developing country which now cannot pay for them then Moscow should be content to wait for its money.

The Peruvian case, however, raises other and wider issues. The reluctance with which the IMF and other lenders are coming to the aid of Peru contrasts strangely with the eagerness with which they have lent to other Latin American countries whose overall records are a great deal worse than Peru's.

Over the past decade or more successive military administrations in Lima have maintained average levels of economic management, no worse and no better than those of their neighbours. In the field of social reform and respect for human rights their record, while by no means perfect, has been noticeably better than that of almost every other government in South America.

Civilians

At the moment General Morales is taking definite steps to return power to an elected civilian Government. Despite this the Peruvians are being faced with financial terms which appear to be considerably harsher than those offered to administrations whose overall records are much less impressive. This is regrettable. General Morales deserves better terms. But even more important is the fact that if Peru is forced to declare a moratorium on its foreign obligations for want of outside assistance such an action is bound to damage the credit rating of all developing countries.

A government clampdown on 'beyond-the-fringe banks'

BY MARGARET REID

FROM now on, Intercontinental Banking Corporation, registered in the tiny West Indian island of Anguilla and, in spite of its high-sounding title, with a paid-up share capital of only $3 (£1.64) will no longer be seeking to do business with the public in Britain. Nor will certain other impressively named concerns, including National Bank of Europe and the International Bank and Trust Company of the Middle East, both also Anguilla-registered.

These are just three among more than 40 other offshore companies with bank-type names, which had registered abroad and then set up in Britain, and which have recently received notices from the Trade Department that they cannot operate in this country under their existing titles. The Department's power to clamp down in this way comes from Section 31 of the Companies Act, 1976, which enables it to notify an overseas company that it is undesirable for it to trade in Britain under its existing corporate name.

A good many of the concerns to which the Department's notices were despatched at the end of September—to take effect at the beginning of this month—appear to have gone out of business anyway.

Maritime Bank, to which a notice under Section 31 was sent—as one to a similarly named company registered in the Falkland Islands — had elegant premises in Buckingham Palace Road, London, immediately opposite the entrance to the Royal Mews, next door to a hotel, and a dealer's shout from the Palace itself. Now the place is locked and empty. On a sofa inside the window lies an old news magazine with a headline (referring, as it happens, to distant China) reading "Progress and Purge"—words which could be taken as symptomatic of the recent rise and fall of offshore banking activity in Britain.

During the past two years or so there had been a considerable, though relatively little-noticed, burst of activity by so-called offshore banks—companies, usually tiny, which had been registered overseas, often in West Indian islands, but which afterwards deliver documents of incorporation to the registrar of companies as overseas companies carrying on business in Britain.

Now the activity has very much diminished. One reason for this is the clampdown, under Section 31, on the use in Britain by some overseas companies of names including "bank," "banking corporation," and "trust," which convey to the public at large the idea of a very sizeable, solid and substantial business.

Another factor has been the crackdown on this type of company in Anguilla. More than a hundred of often impressively titled, but minute, concerns have been struck off its registered companies, and registration fees have been raised.

But there has been another and important factor behind the decline in offshore companies' activity on the fringes of banking in Britain—so that the problem has waned before most of the public has heard anything about it. Very many small banking concerns operate entirely legitimately. But it is alleged, this has not always been the case, and certain areas have attracted the attention of the police.

During the past 18 months the City and Metropolitan Police Company Fraud Department, under Commander Thomas Edwards, with detectives from Scotland Yard's Serious Crimes Squad, have launched a major, though little publicised inquiry into activities within the offshore banking field. A team of officers led by Detective Chief Superintendent Jim Smith, and including Detective Chief Inspector Douglas Shrubsole, has laid on one of its biggest oprations. The investigation has been not only in Britain but abroad, because much controversial activity in offshore banking has international dimensions. A number of arrests have been made and about 30 people now face fraud charges.

Complaints from the public

Quite separate from inquiries which the police find it necessary to make under the law—sometimes after complaints from the public—is the nature of the new control over names of overseas companies now conducted by the Trade Department.

Section 31 of the Companies Act, which came into force in April this year, was designed to close a loophole and eliminate an anomaly in the existing law of which advantage had increasingly been taken.

While there had long been a power, under Section 18 of the Companies Act 1948, for the Trade Department to ban, as undesirable, unsuitable names of U.K. registered companies, the British Government had, until recently, no means of prohibiting the use of an inappropriate name for the conduct of business in Britain by an overseas-registered company. It was until lately perfectly possible for a very small company to be registered in any country abroad, with a minimal capital, with some such title as Mid-Atlantic Bank and Trust Company, and then to launch out in business in Britain, after filing its particulars with the U.K. companies registrar.

Its operations could be wholly legitimate. Yet was it desirable for those uninitiated in money matters, or for visiting foreigners unfamiliar with the British banking scene, to have little means of distinguishing between such a company, with a capital of, perhaps, £2,000 or less, and, say, Barclays Bank, one of Britain's Big Four, with capital and reserves of £900?m.

Section 31 was designed to tighten British control over this situation. Accordingly, at the end of September, the Trade Department issued notices to 44 overseas-registered companies with bank-type names (and to some half a dozen other concerns), stating that it was considered undesirable for the company to carry on business in Britain under its name. Service of such notices did not, of course, imply that the business was considered illegitimate.

The company was at the same time advised that, from two months after the service of the notice, it should not, on pain of a fine of up to £40 a day on conviction, carry on business in contravention of the direction. The two months expired at the end of November.

The result has been that about half a dozen companies have agreed to change their names, or are discussing a change, while three more are in liquidation. Of the remainder, which are now banned from operating under their original name, the Trade Department has received no answer in a number of cases, while in others its direction was returned by the Post Office because the recipient company had gone away. Thus, there has clearly been a very substantial reduction in offshore bank-type concerns operating in Britain.

Anguilla, which was last in the headlines as the island country to which Britain sent an emergency peace-keeping force in 1969, has seen a big upsurge in registrations of new companies with bank-type names, presumably formed with a view to more extensive operations elsewhere. The Anguilla Government has now greatly strengthened its curbs on these companies.

A notice published by HM Commissioner in Anguilla in the Official Gazette of September 9, 1977, for example, named no fewer than 125 concerns described as companies which had been struck off the register, although this move was not a sign that there was anything illegitimate in the activities of the company. The names of those listed as struck off were often imposing. They include British Banking Corporation, City and World Bank, Credit Londres, Equity Bank, International Life and Credit Insurance Corporation, Maritime Bank, Middle East Banking Corporation, National Bank of the Middle East, Petrodollar Credit Bank of the Middle East, Universal Banking Corporation, Vanguard International Bank and Westminster Trust Corporation.

The list also included concerns with names not unlike, but nonetheless subtly different from, more famous names. The list contained, for example, Imperial Chemical Bank and Offenheimer Banking International.

Among watchers of the offshore scene, which has extensive international ramifications, it is thought that there are a number of techniques by which illegitimate deals are possible.

Advance fees may be called for to facilitate big loans which a concern may *promise to arrange* but which, however, once the fee is paid, prove to be mirages. Then, a bank-type concern somewhere in the world may have a trading associate which orders goods—say, a bulk delivery of typewriters or office machinery—from a foreign supplier who asks for a bank reference to establish the prospective buyer's good faith. The reference may be duly forthcoming from the bank in answer to a telex application, prompted by the trading associate, but payment may still never be made for the goods delivered or letters of credit issued for the deal may not be honoured.

Another technique well known down the years is that of the "paper hanger"—one who sells off effectively worthless bearer bonds, promissory notes or certificates of deposit, printed on impressive looking security paper. The disposal of the paper may be to anybody from investing institutions to an individual tourist in an unfamiliar country—and the price can range down to only a small proportion, say 10 per cent, of the purported face value of the document.

As one observer of the international banking scene has remarked: "It is not issuing these documents which is difficult: it is passing them off which requires the skill."

Appearance of solidarity

Moreover, as has long been known, "companies" balance sheets can—to give them an appearance of solidity not justified by the facts—be "dressed" by the issue of millions of pounds' or dollars' worth of, say, loan stock by one party in exchange for a similar issue to it by an associate company.

It is a *matter of surprise and*, to some people, concern, that four years after the secondary banking crisis broke out at the end of 1973—the control over bank-type concerns—which, on occasion, may be considerably beyond the fringe—still appears inadequate.

Some recent letters to the Financial Times have dwelt upon aspects of the problem of bank supervision. Mr. Nicholas Travers, in a letter published on December 9, referring to an earlier letter from Mr. N. A. de Berry, remarked: "Mr. de Berry seemed to think (December 9) that British banking law is riddled with loopholes. He underestimates the position, for in fact there are more loopholes than law."

Mr. Travers went on to quote from a letter from the Inland Revenue in April this year which said that a company would qualify as a bank for the purposes of the Income and Corporation Taxes Act 1970 if it "is in fact operating the full range of banking business including, for example, the provision of current account and cheque book facilities for customers other than its employees or associated companies." Mr. Travers remarked that, in other words, any company which owed money to customers other than employees or associates, and provided books of withdrawal or credit demand forms, would qualify. He said he could imagine that virtually any British company could meet these requirements, and call itself a bank, by modifying its sales organisation and accounting procedure.

The Government White Paper *The Licensing and Supervision of Deposit-Taking Institutions*, containing proposals to identify high-ranking banks, which would merit authorised status, and to impose a licensing requirement for other deposit-takers, was published as long ago as August 1976. It has still not been acted upon, although legislation for a system of banking licensing will in due course be necessary for Britain as a member of the Common Market. Last week, Mr. Denzil Davies, Minister of State at the Treasury, told the Commons that the Government planned to bring in new laws to tighten up supervision of the banks as soon as time was available in Parliament.

But one must wonder how effective legislation even along the lines of the White Paper would be in dealing with all *possible contingencies* in this field, and particularly with the company here and there aiming to act illegitimately? Would it satisfactorily control an offshore bank which changed its name, or which was taken over by *somebody* less reputable than its first owner—or if ABC Bank became ABC Trust (Bankers) what would restrict its activities if it were not taking deposits but were operating illegitimately in other ways? And what of concerns which eluded all control by operating for a relatively brief period and disappearing before any investigation got under way? As somebody close to the outer fringes of the banking scene says: "The law is designed for those used to playing according to the rules, but how does it catch those who don't play the game?"

The now locked and empty Maritime Bank near Buckingham Palace.

MEN AND MATTERS

German tipped for JET

The £120m. JET thermonuclear project in Culham, Oxfordshire, is likely to have a German director—Dr. Hans Otto Wuster from Hamburg. Earlier this year, when the site for JET (short for Joint European Torus) was being discussed, there was keen competition between Premier Callaghan and Chancellor Schmidt for this prestige EEC institution. Britain won, and reports on the scientific grapevine say that Wuster's appointment would, at the political level, be a *quid pro quo*. (Needless to observe, such crude considerations would not have influenced the interim JET council at its meeting in Brussels yesterday.)

On the scientific plane, Wuster's credentials are immaculate. Currently deputy to the director general of the CERN 400 GeV proton synchrotron in Geneva, he is highly respected as a laboratory manager and computer expert. Physically and intellectually a heavyweight, in Hamburg, he had a reputation for "breaking the table" at meetings if progress was too slow. In Geneva, it is said, he has abandoned such youthful ebullience.

The most obvious candidate for Culham, by chauvinistic standards, would certainly have been Dr. John Adams, now executive director of CERN. He directed the Culham atomic laboratory in the years 1960-67. But quite apart from Adam's deep absorption in his present job, there is an EEC rule that such projects cannot be directed by anyone from the host country.

"That way EVERYBODY will be a loser!"

Smoke signals

EEC regulations have a habit of affecting people in the most unexpected ways. On January 1, for example, Britain takes a further step towards tax harmonisation, in a way which is bound to have a considerable effect on the future pattern of cigarette consumption here—and also on the profits of the tobacco companies.

Shifting away from the present system of excise taxes and adopting the value added method of calculation will bear especially heavily on the smaller cigarettes and narrow the differential between what are currently the cheap, small brands and the kingsize variety.

This has already led to fierce competition among the major companies to increase their share of the kingsize market which, they believe, will expand considerably when the new price levels incorporating the new taxes come into operation.

It should also, of course, increase the resolve of those planning to give up the weed entirely as their New Year resolution.

In any case, the tobacco companies are resigned to a further squeeze on profits next year and, as part of their drive to cut back costs, are taking a long, hard look at their sponsorship portfolios. One casualty has been the John Player management journalism awards which have been run in conjunction with the British Institute of Management.

These annual awards were highly sought after—largely because at £1,000 tax free they were particularly munificent by the standards of the "literary" prize circuit. The awards were given to one newspaper and one TV reporter, and to the author of the best book on business.

John Player made similar awards to those judged to have made an outstanding contribution to the computer and aviation industries, and these awards too have been dropped.

So far, however, the portfolio of sports sponsorships has remained largely unscathed—although the anti-smoking lobby would be most pleased to see an end of the attempt to link healthy sports activity with nicotine addiction.

Flexible foes

Hollywood's follow-up to "Jaws" is a new ocean horror picture, "The Deep," starring a ferocious Moray eel. Predictably enough, the heroine, Jacqueline Bisset, is attacked by the monster eel shortly after reel one. But that's a familiar hazard to Britain's North Sea divers. Working from the Charlie platform on the Forties Field, they have to contend with a colony of conger eels, some up to 10 feet long, living near the rig. We are told that: "some of the men have been nudged by eels during operations and there is a danger that the creatures, known to be zealous in protecting their territoral rights, may get entangled in a diver's airline." How about bringing in a Hollywood underwater film crew to drive away the eels?

Parker ponders

Question: What is taking two of Britain's fastest typists working five days a week, two and a half months to produce?

Answer: The report and recommendations of Justice Parker, who began dictating his epic within a week of the end of the Windscale public inquiry over which he presided. The environmentalists are pressing Environment Minister Peter Shore to make public the Parker report before he and his Cabinet colleagues reach a decision on whether a new nuclear reprocessing plant should be allowed at British Nuclear Fuels' Windscale plant. But meanwhile, the sheer hard slog of composing and transcribing the thoughts of Chairman Parker goes on. It is expected to be completed, as a typescript for circulation, by the middle of next month. A Government spokesperson yesterday refused to speculate on whether the report, like the inquiry, will *set any precedents*, but admitted that it will be "very, very long." Even in Whitehall, there is unlikely to be a shelf large enough to hide this one.

The biter bit

Turkey is to import from America large numbers of fish to help tackle the spread of Malaria in the south east of the country, where known cases have risen in two years from 10,000 to 120,000.

Turkish mosquitoes, of the Anophel variety, have developed a virtual immunity to all types of insecticides, so Berdan Akalin, Director General of the Anti Malaria department of the Ministry of Health, plans to bring in millions of "Gambusia," three-inch long fish known for their penchant for mosquito lavas.

Observer

FINANCIAL TIMES SURVEY
Wednesday December 21 1977

Japanese International Companies

The prospect of a trade war between Japan and the U.S. appears to have been averted after last week's discussions in Washington, but there are still difficulties over attempts to boost Japanese imports of industrial and agricultural products

Sharing the burdens

By Charles Smith, Far East Editor

MOST DRAMATIC phase ...pan's trade confrontation ...the U.S. (and to a lesser ... Europe) seems to be ...t least for the time being. ... four days last week the ...ter of External Economic ...ions, Mr. Nobuhiko Ushiba, ...to convince the American ...l trade negotiator, Mr. ...t Strauss, that an eight- ... import liberalisation ...ge prepared by Japan ...ented all the country ... do for the time being to ...ve access to its market. ... the Ushiba-Strauss talks ...in progress a three and a- ...hour Cabinet meeting in ...o grappled with the ques- ...of how fast the Japanese ...my should, or could, grow ...78 and came up with the ...—7 per cent.

...he end of the week the ...was sounding not wholly ...ssfied with the results of ...tempt to stage a show- ...with Japan over trade and ... economic issues. Mr. ...s told a Press conference ... the original eight-point ... "did not "come up to ...tions." At the same time, ...er, he welcomed the 7 per ...growth target and declared ... "we are moving in the ... direction."

... EEC seems to have re- ... in similar manner with ...result that, while no one is ...ed, at least there is appar- ... going to be no official ...ncement that Japan and ...est of the Western indus- ...world have declared trade ...against each other.

...e next moves along the ...away from confrontation are mainly up to Japan. The Japanese Diet will have to act promptly to implement the tariff cuts on 124 items (accounting for about \$2bn. worth of imports in 1976) which formed the most important part of the package offered to the U.S. and the EEC last week. If the Diet does take the necessary action Japan should be in a position to act on the cuts by April 1 next year. This may be as much as two years ahead of the tariff reductions expected to be introduced by other advanced countries participating in the current round of GATT trade liberalisation talks in Geneva.

A more difficult problem for Japan will be to decide what to do in the highly controversial and emotional area of agricultural import liberalisation. Japan's failure to offer more than very limited enlargements of the existing quotas on imports of farm products evidently provided the main reasons for Mr. Strauss's disappointment when the package was presented to him last week. A further effort to tackle this issue will have to be made before Japan and the U.S. can really be considered to have buried the hatchet—indeed the effort may have to precede the visit Mr. Strauss himself plans to make to Tokyo before the end of January.

The decision to lift the quotas on any major farm imports (like beef or citrus fruits) appears to pose extreme political difficulties for Japan's ruling Liberal Democratic Party, whose representation in the Diet is based mainly on rural constituencies. A decision to stand pat could risk alienating the U.S. once again and make Mr. Strauss far less anxious than he appears at present to prevent a series of protectionist measures being voted by the U.S. Congress early in 1978.

The last thing that Japan has to do in the aftermath of the U.S. and EEC talks is to fulfil its commitment to make its own economy recover with all possible speed. This is a far from easy task for two reasons. One is that, throughout 1977, the domestic economy has been sliding steadily back into the recession from which it seemed to have emerged early in 1976. The GNP growth rate in the first quarter of the year was 2.1 per cent. over the fourth quarter of 1976, but in the following two quarters the rate slackened to 1.7 per cent. and then to a mere 0.5 per cent.

In the last quarter of 1977 it looks as if growth will once again be almost invisible with much of Japanese industry operating at critically low capital utilisation levels. This is a situation which inhibits the demand for imports of raw materials and fuels that still make up nearly 70 per cent. of Japan's total imports and increases the pressure on companies to export.

The second reason why engineering an economic recovery in 1978 represents an extremely difficult task is that yen revaluation (by 23 per cent. against the dollar since the start of 1977) has acted as a further dampener on business confidence—partly for the specific reason that Japanese companies still sign most of their export contracts in dollars and therefore stand to accumulate heavy foreign exchange losses when the rate appreciates suddenly.

It has been tempting for Japan to blame the yen revaluation on deliberate action by the U.S. (mainly in the form of pointed comments about Japan's trading performance from the U.S. Treasury Secretary, Mr. Michael Blumenthal) and to argue that "therefore" the current situation of deepening domestic recession is not Japan's fault. The charge that the U.S. has deliberately talked up the yen and talked down the dollar may be true. But the fact remains that the yen was overdue for revaluation at the beginning of 1977—and that any sharp upward movement was bound to be uncomfortable.

The measures which Japan has to take to reactivate its economy have been spelled out in general terms and are now in the process of being implemented in detail. The most important is to produce a 1978 budget which is genuinely reflationary rather than a cautious compromise between the Ministry of International Trade and Industry's desire to assist private industry and the Finance Ministry's dedication to fiscal conservatism like most of Japan's recent budgets.

In order to give the budget the amount of push required to influence the economy as a whole it will be necessary to increase deficit spending next year far above the traditional 30 per cent. ceiling. The decision to do this has been a painful one for the government, with the Finance Ministry fighting a last-ditch battle in favour of the traditional guidelines.

Significantly, the battle has been more between tradition and innovation than between advocates of reflation at any price and defenders of price stability. Japan's prices are in fact showing exemplary stability at present, with the year-to-year rise in the consumer cost of living index tending steadily downwards and wholesale prices are actually down from a year ago.

If Japan does embark on all-out reflation in 1978—and the presence of several forceful advocates of growth in Mr. Fukuda's newly reshuffled cabinet make this a strong probability—the 7 per cent. growth target could turn out to be more of a pious hope than an attainable reality. There also seems little chance of making any really significant cut in the huge surpluses on visible trade and current account which are at the core of the disputes with Europe and the U.S. Japan's probable (as opposed to officially forecast) trade surplus for the 12 months ending next March (for fiscal 1977) is around \$18bn. while the current account (in which the deficit on invisibles is deducted from the visible trade surplus) could be in the black by over \$10bn.

Japan will be doing well by its own standards if it manages to convince its trade partners that there is a chance of the trade surplus being cut to \$12bn. in 1978 and of the surplus on current account coming down to about \$3bn. or \$4bn. Such an achievement, however, while difficult enough in itself would leave plenty of problems still unsolved. Even if the trade surplus is halved next year Japan will be heavily in the black in its trade with both the U.S. and Europe—two areas which have contributed considerably more than their fair share of the overall surplus on Japan's foreign trade. And if the current account continues in surplus, instead of moving into equilibrium or even into the red as the U.S. has demanded, there will be the problem of how to convince the rest of the world that Japan is living up to its responsibilities as one of the world's richest nations.

The eventual solution to Japan's trade problems with Europe and the U.S., which will undoubtedly continue into 1978 even if they do not plunge into another 1977-style crisis, will have to include an increase in Japan's capacity to absorb imports of manufactured goods produced by other industrial nations. This sounds simple enough in theory—in practice what is required is a change in the mentality of Japanese importers and consumers away from the notion that foreign goods are rare and expensive luxuries in the direction of something like a European notion of horizontal trade between developed nations.

Outside the area of trade there are plenty of ways in which Japan can, and must, use its resources to contribute to global economic development—rather than to Japanese development alone. Japanese capital and know-how are badly needed in resource-rich developing countries. Japan's manufacturing and management skills could be profitably put to work—on a much larger scale than at present—in other developing countries through direct investment in industry. Japanese banks, up to now rather closely tied to the apron strings of the Ministry of Finance, could usefully shoulder a bigger part of the burden of lending to developing nations which has fallen mainly on the shoulders of U.S. and European banks during the past few years.

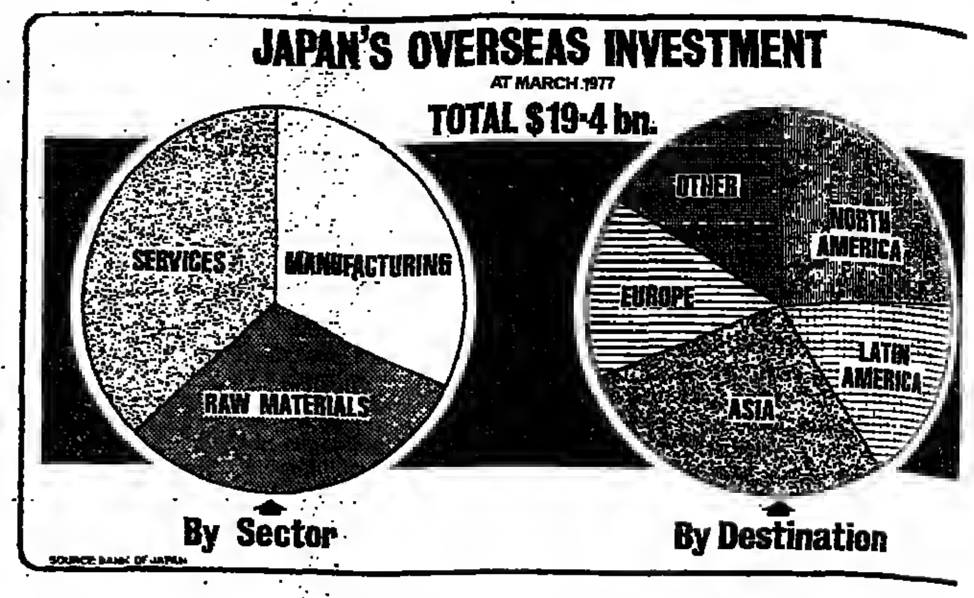
Japan has been slow to tackle any of these tasks and opportunities but the time has clearly come when it has to do something more than export the world's most competitive manufactured goods and import a huge (but unpredictable) share of its raw maerials. With the world's strongest major currency and the most favourable international payments position of any non-oil producer Japan has everything necessary, except possibly the will, to become a global economic power in the full sense of the word—rather than the limited and unsatisfactory sense in which it exerts its economic power at present. If and when Japan does internationalise its economy the notion that it is, or should be, one of the three engines of world economic recovery may at last become a reality.

Greater urge to invest abroad

JAPANESE COMPANIES have been reluctant to invest overseas, particularly where manufacturing facilities or other industrialised countries are involved. In December, 1975, Japan's overseas investments equalled only 3 per cent. of GNP; the U.S. proportion by then was 8.8 per cent. of GNP, Britain 16.9 per cent., and Germany 3.8 per cent. Moreover, Japan's pattern of investment looked (and still looks) vastly different with about 70 per cent. going into developing countries, compared with the bulk of U.S. investment going into other industrialised countries.

Put simply, Japan has not wanted to build factories in America and Europe: wage costs were cheaper in Japan, efficiency higher, and markets could be more easily undercut from Japanese manufacturing bases which let a company export at a marginal rate of profit and put the costs of early capital outlay on to the domestic consumer. Thus only 32 per cent. of Japan's outstanding (approved) foreign investment at March, 1977, was in the manufacturing sector ($6.2bn.), and of this only $1.3bn. had been pumped into the U.S. and Western Europe—Japan's biggest markets. Moreover, in 1976 Japanese companies invested as much in trade promotion services in America as they did in manufacturing; in Europe, investment in the commercial sector was still twice the level in manufacturing.

The volume of Japan's overseas investment is debatable. Official figures for "approved" investment put the level at $19.4bn. in March, 1977, but this does not take into account approvals which might never have been carried out or disinvestment over the years. The best guess is that Japan has about $15bn. in outstanding foreign holdings.



JAPAN'S INVESTMENT IN EUROPE ($US.m.)

	1960	1965	1970	1975
U.K.	1	3	544	1,552
Benelux	0	5	26	293
West Germany	1	5	17	172
France	0	5	22	149
Others	1	7	30	352
Western Europe Total	3	25	639	2,518

(Source: JERC)

Smaller

Manufacturing investment, though estimated at $6.2bn., is really much smaller if investment in industrial trading companies is discounted. According to one estimate, only half the "manufacturing" investment by Japan into Europe goes for productive facilities, although the percentage is naturally much higher in Asia where Japanese companies have invested to take advantage of cheap labour rather than a domestic market. The recession, moreover, has thrown the previous balance out of kilter. In 1976, new overseas investment rose by over 5 per cent. but still fell short of the record 1973 level of $3.5bn. A major cause of this performance is ascribed to poor profitability of overseas subsidiaries in the recession, with the average rate of profit-to-sales falling from 1.9 per cent. in 1973 to 0.2 per cent. in 1975 and about the same in 1976. A survey by the Ministry for International Trade and Industry (MITI) also indicated that the proportion of subsidiaries paying a dividend in 1975 had dropped to 23.5 per cent. compared with 33.4 per cent. before the oil crisis.

Things have changed. Japanese businessmen no longer seem to equate investment in European or American factories as something profitless or unpatriotic. Honda recently announced it would become the second Japanese company to manufacture motorcycles in the U.S. (after Kawasaki's Nebraska plant), and the Honda site in Ohio is expected to be extended later for a car assembly operation. Japan's other car makers, meantime, are searching for locations to begin manufacturing in the U.S.

Some industries have gone strongly ioto their target markets. Sony and Matsushita bave set np U.K. plants to make colour TV sets for the European market. Matsushita bought the TV division of Motorola in the U.S. in 1974, and recently another Japanese maker, Hitachi, signed a joint venture agreement with General Electric to merge their U.S. television operations.

Hitachi, in fact, has been at the centre of a controversy which may give Japanese businessmen second thoughts about their plans to invest more money abroad—and notably in Europe. The Japanese maker hoped to follow Sony and Matsushita into U.K. manufacturing, but met with strong opposition from the British TV industry. Although Governmeot did not actually forbid the investment, Hitachi appears to have been told that the operation could run into trouble unless it had the support of local industry. Unable to convince trade unions that its plant would generate more jobs than would be lost, Hitachi decided in December to call it quits.

Hitachi's problem with the British TV industry may not be a one off affair. Japanese companies going abroad will increasingly feel that they must manufacture goods which they now export. Since overseas production usually happens only after exports have taken a large part of the local market (and jobs), the dilemma could be repeated (in electronics, cars, ball bearings, etc). So the precedent of Hitachi's withdrawal is a dangerous one.

For Britain, it could signal an early halt to what might have been a flood of Japanese manufacturing investmeot. Until now Britain has accounted for over half of Japan's European investment, but about $800m. of the total $1.6bn. outstanding at March 1977 was into London holdings of Middle East oil. Of the remainder, only a fraction has gone into the eight existing production ventures which are 50 per cent. or more Japanese-owned ($18m.), and these have in turn generated about 1,500 jobs (with Sekisui Chemicals still to come, but now not Hitachi).

Few experts think Hitachi's withdrawal will put an immediate brake on Japanese investment into Europe — although in some instances it may lead companies to invest first in the U.S. market. For technical reasons, moreover, the Hitachi controversy might not have happened outside the colour TV sector since licensing agreements on the Pal colour transmission system make Britain the only obvious choice for TV manufacturing (the Irish market is too small, German wages too high).

According to a recent survey of Japanese investment in Europe, done by the Japan Economic Research Centre (JERE), it is expected that investment in chemical and machinery industries will increase. The downstream petrochemical industry, above all, is seen as an attractive pull for Japanese investment since raw material prices are now substantially lower than in Japan.

In the machinery sector, the JERC survey says, "direct investment may encounter from time to time tha opposition of competing manufactirers in host countries. Nevertheless, investment in these sectors has a potential to grow in the long run in view of their employment-generating effect."

The number of jobs which Japanese investment might create in Europe and America over the next ten years can only be guessed at. It is estimated that in 1975 Japanese companies employed 450,000 overseas — mostly in South-east Asia and the JERC reckons that Japanese capital could be paying the wages of perhaps 1.5m. overseas employees by 1985.

Costs

But why invest? Japanese businessmen usually cite two reasons for an expected increase in their overseas investment. First, productinn costs in Japan have risen rapidly in recent years. The edge which Japanese companies could rely on in the 1960s is gone in most sectors. Secondly, Japanese exports will become more difficult in sectors where other industrialised countries have already begun to suffer a fall in employment. In each case Japanese over- vestment may be the (a) economic and (b) strategy to get or market. In the case of a third reason is access EEC market from a man ing base in one or member country.

What are the obstacle Japanese companies h very little experieoce facturing in other indus countries. Language problem, industrial rela But in both cases, the periments so far hav Japanese managers t adept at managing a they are at selling. Se many Japanese companies that their managerial will be usurped by the auth ties of host countries once grow big enough.

Responding to this fea recent study suggests that multinational corporations Europe bave largely escaped sort of interference where they have not observ legal commitments set down advance. "Any violations Japanese companies operati in Europe have also come fr not having adequately studi the laws in host countrie according to the JERC's inve ment expert, Mr. Sekiguchi, sees no major risk of losing co trol once industries have be set up in Europe.

The third obstacle, of cou is opposition from host countri to investment in the first plac Most industrialised countri have relaxed investment rul but, as in Britain, there a limits. In general, new inve ment is supposed to add jo and capital, not just substitu for existing jobs or factories.

So far, Japanese compan have invested conservativel that is, in products which t have experience selling. creasingly, Europe and Ame will become attractiva manuf turing centres for ot prodncts; to give one examp the computer firm Fujitsu gone into a joint venture w Amdahl Corporation of the U and will build computers Ireland for the Europ market — a revolution approach to prodncing and s ing abroad which other up coming companies in industries will possibly imit

Douglas Rams

Technology balance

IT IS a widely known fact that Japan has risen to the position of third economic power in the "free world" in part by acquiring cheap technology from the West and putting it to effective use in its own industry. What is less widely known is that for the last four years Japan has been a net exporter of new technology—althongh its overall technology trade balance, which includes payments for the renewal of previously signed contracts, remains firmly in the red. In 1972 the total flow nf technology payments in and out of Japan produced a net deficit of Y.132bn. (the result of outgoing payments worth Y.174bn. and receipts of Y.42bn. for technology exports).

The bulk of Japan's payments for technology imports, however, were for renewals of contracts on know-how which had previously been imported, and not on new acquisitions of new know-how. If the new contracts are isolated from the total flow of technology payments Japan emerges as a net exporter from 1972 onwards, with overseas sales in that year (Y.18bn.) exceeding imports of foreign new technology by around Y.4bn.

The favourable balance nn new technology exchanga has continned since 1972, with exports last year totalling Y.19.9bn. against imports of Y13.3bn. On an overall basis Japan's technology balance in 1976 was still negative but tha ratio of exports to imports has been rising steadily (largely because imports have fallen). Technology imports in 1976 at Y.83.4bn. were worth 2.1 times the value of exports compared with the 1972 ratio of 4.1 times.

It would appear from these figures that Japan is gradually making good one nf the basic weaknesses of its post-war economic development—that of being dependent nn the outside world for new ideas. However, the picture is not quite as simple as that. A further breakdown of the figures shows that Japan runs a negative technology on all counts (i.e., on payments for both old and new technology) with Europe and the U.S. while earning substantially from developing nations, especially those of South-East Asia and the Far East.

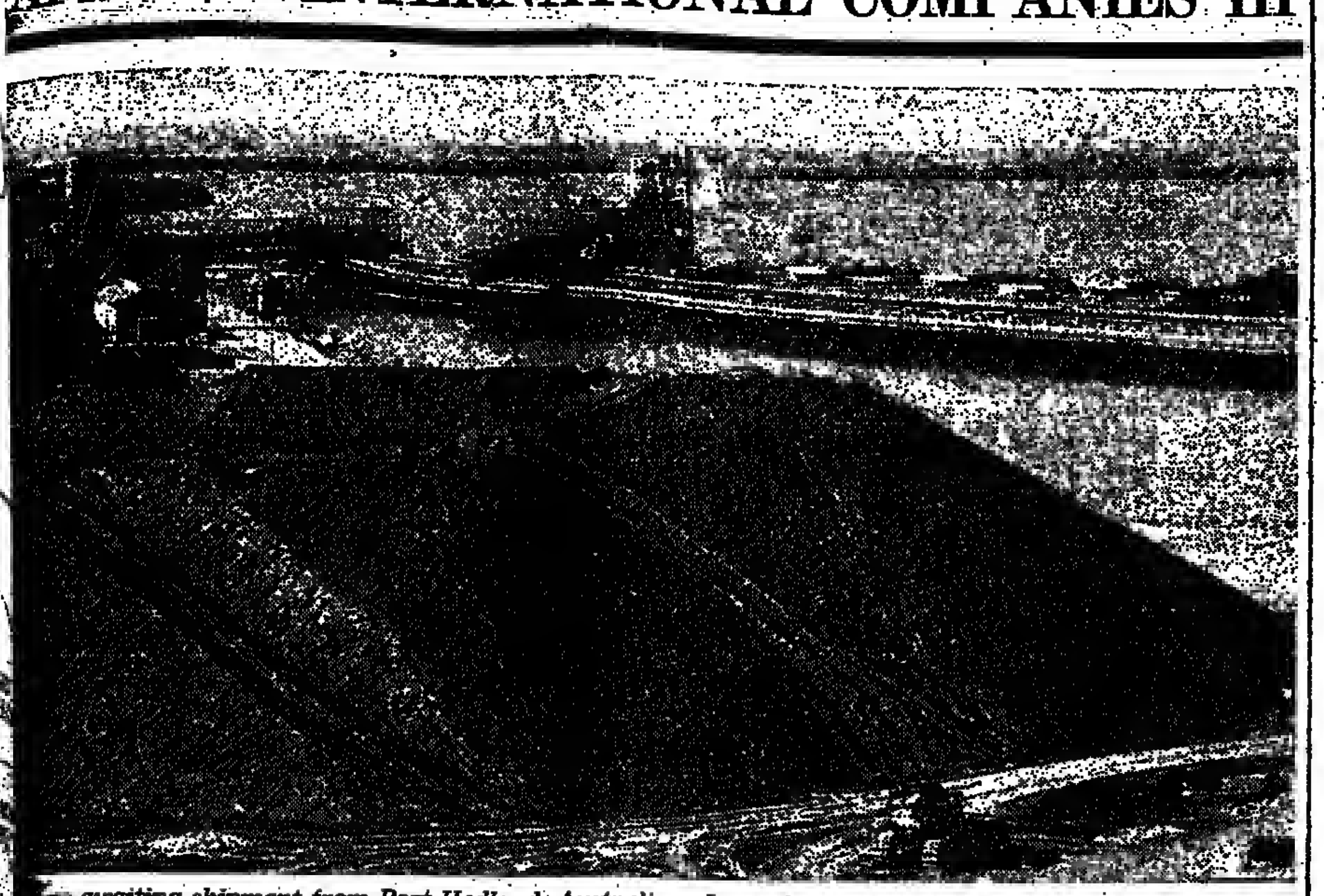
In 1976 a total of Y32bn. of Japanese technology was bought by other Asian countries (w Taiwan and South Korea ra ink as the major purchas The flow of technology in opposite direction (from rest of Asia into Japan was so that know-how sales to A represented a big net gai Japan's technology acco Technology sales to N America and Europe were substantial (Y.12.9bn., Y11 respectively). However, the of ideas back from the developed world continued outweigh what Japan had in in the way of new technolog

The explanation for the way flow of technology Japan from the developed w and out again to the rest Asia (and to some extent to the U.S. and Europe) lies Japan's role as adaptor ra than innovator. The bulk Japan's technology exports present appear to consist refinements, adaptations combinations of ideas origin imported from outside an than on basic ideas develo within Japan itself.

A typical example is the c puterisation of the materials input into the

CONTINUED ON NEXT PAGE

JAPANESE INTERNATIONAL COMPANIES III



...re awaiting shipment from Port Hedland, Australia. Japan iron ore imports are down this year and a further cut is expected in 1978.

Materials contracts under review

...N HAS gone full circle in ...st for raw materials since ...73 oil crisis. Excluding oil, ...s of industrial raw ...ials are at about the same ...s 1973. Massive contracts ...ng-term supplies of iron ...ugar, copper, nickel and ...materials have been re-...ated to let Japan pay less ...s less, and usually both. ...s of iron ore will be ...from 137m. tonnes to ...130m. tonnes this year, ...apanese steel companies ...warned suppliers in Aus-...to expect a hefty cut in ...Raw material stockpiles ...e bolstered with once-off ...s of oil, wheat and uran-...o help bridge the $10bn. ...nt account surplus in fiscal ...but the cautious recovery ...an's domestic economy ...is extremely unlikely ...ese companies will ...a spree of raw ...purchasing in the next ...months.

...hich is not to say that ...ese business will not con-...e investing in secure, long-...supplies of key materials. ...shortages have not ...ally appeared, even though ...some cases Japan's reliance ...foreign supplies increased ...ically between 1965 and ...(for example, coal from ...to 75.8 per cent.; lumber ...24 to 62.4 per cent.). For-...tely for Japan, most of its ...suppliers are other indus-...lised countries—the U.S., ...ada and Australia. These ...in turn, among the most ...y candidates for new re-...e investment.

...anada and Brazil, it seems, ...the most attractive countries ...Japanese business involved ...resource and processing ...stry. A survey by Nikkei ...ness done last summer ...ed 53 major countries on ...counts (political situation, ...omy, resource availability, ...according to five rankings ...AA, B, C, D). The results, ...gh highly disputable, ...ely confirm what many observers thought: that is that Brazil (AA) is preferred to Australia (A), and that Japanese companies tend to equate investment appeal with oil wealth. Thus, apart from Australia and the U.S., countries with an "A" ranking were invariably oil-producing ones: Iran, Saudi Arabia, Kuwait, Indonesia and Nigeria. The two exceptions were Venezuela (C), which ranked low on investment incentives and new resource potential despite its oil, and Zaire (A) which, despite not having oil, is considered rich in other resources (notably copper) and inviting as well.

Shifts

To be sure Japanese business has invested in C as well as A countries, but since the oil crisis (and recession) there have been two shifts in attitude towards resource investment. First, Japanese companies came close to panic: oil shortage and the threat of unilateral price increases on other raw materials seemed to threaten the very foundation of Japan's resource-poor economy. Companies began to pass out contracts for long-term supplies with little regard to the medium-term outlook. Oil, steel, sugar and other resources were bartered in return for capital investment by Japanese companies, usually with financial help from Government.

By and large, the "panic" mentality which predominated after the oil crisis may have averted some of the shortages. Over 50 per cent. of Japan's iron ore imports are now coming from what the Japanese call "develop-and-import" schemes, and the portion could rise to over 75 per cent. in the 1980s. The comparable figure in 1975 for coal was 30 per cent., but will rise to over half within two years. Japanese finance in overseas copper development has pushed the "self-developed" share of imports to over 50 per cent.: aluminium has lagged behind (accounting for only 21 per cent. of imports), but major Japanese-backed projects in Brazil and Indonesia will come on stream by 1980 and contribute a much larger share of sheet metal aluminium to the Japanese market.

But Japanese businessmen realised only belatedly that the oil precedent could not be used in most other resource sectors, and that, moreover, Japan could really pick and choose between various contenders for its investment capital and huge market. Take iron ore: huge deposits in Australia and Brazil could be opened up for Japanese industry—at a price—so when Japan made its first big round of new investment decisions in 1976 the rewards went to Brazil, which, though further away, cost less and did not have Australia's recent history of supply bottlenecks caused by industrial unrest (either at mining sites or at Australian ports).

Perhaps because none of its new iron ore mines will be opened in the 1970s to supply Japan, Australia has competed more strongly to do a deal with Japan on coal. In the last 18 months, Japanese companies have written half a dozen contracts with Australian coal mines, which will open up new deposits discovered in the late 1960s but kept in the ground since then because of the Labor Government's policy of actively turning away foreign investment, a policy which the present Government only managed fully to uproot in 1977. Japan can also count on long-term coal supplies from China once they begin in 1978, and there is more coal on offer—notably from Indonesia, where Shell has postponed mining until the 1980s, when it hopes Japan will be in a position to purchase large quantities of Shell's relatively high-grade and high-cost 10m. (estimated) tons of Sumatran coal.

Similarly, natural gas has proved to be in greater commercial abundance than most experts were guessing at the time of the oil crisis. It will take some $3bn. to develop Australia's north-west shelf deposits, but Japanese buyers seem in no hurry to invest. One reason is that two major projects in Indonesia are under way: Japanese utilities will take all the natural gas from the Badak fields, which began to produce in August, plus half the output from the bigger Arun gas field. The 7.5m. tons Japan has agreed to take yearly over the next 20 years will be a substantial supplement to existing supplies, notably from Brunei and Abu Dhabi, and Shell has got the green light to proceed with its Sarawak project. Meanwhile, a Japanese consortium is negotiating with the Soviet Union on development of huge gas deposits in Yakutsk, although production is now at least five (and probably ten) years away since the Japanese do not feel pressed to accept (together with a Bank of America financial consortium) the onerous terms for capital outlay now asked by Moscow.

In short, Japanese business has not come up against the shortages or manifold price rises which it feared after the oil crisis: quite the contrary, prices for most raw materials dropped sharply during the recession and have only bottomed out in 1977. As a result, in 1977, imports of raw materials (excluding food and fuel) may be only slightly dearer than the $12.3bn. bill in 1973, and probably less than the $14bn. spent in 1976.

The composition of Japan's imports, though, has drastically altered since the oil crisis. In 1973 about 30 per cent. of imports were of finished goods, but by fiscal 1976 the proportion had dropped to 19 per cent. (20 per cent. in January-June 1977). Oil is the culprit: together with coal, it accounted for 43.5 per cent. of total imports last year, compared to just 22 per cent. in 1973. In dollar values, Japan's fuel bill went from $8.3bn. to $29.4bn.—up 3½ times in as many years.

The 1977 bill for industrial raw materials may indeed stay close to 1973 levels, but for how long? These imports have been involuntarily restrained by the recession in Japanese industry, so most economists anticipate a rapid rise of imports once domestic recovery gets on the tracks. And since there has been no serious dent made in Japan's near 75 per cent. reliance on oil for its energy requirements, economic recovery is bound to mean a proportionately higher level of oil imports.

There is little doubt, moreover, that Japan will continue to depend on certain countries for the majority of its raw material supplies. Japan, after all, relies more than most industrialised countries on outside raw material sources.

Aggressive

At present, Japanese business has claimed its aggressive push to find and develop new resources abroad. Natural gas is the exception. The Government has also embarked on a programme to build up foreign supplies of uranium for eventual use in Japan's nuclear reactors. The recession has made some of the earliest investment projects look foolish with the subsequent drop in international commodity prices, and Japan has had to renegotiate several of its long-term supply contracts to postpone deliveries. On the way, some suppliers have got their own fingers burned. Australian sugar producers signed a 600,000 tonnes a year, five-year sugar agreement in 1975 with Japanese refiners, which the refiners said they would not honour after July 1977 unless the fixed price (stipulated in the agreement) was lowered to take into account the 75 per cent. drop in world sugar prices. After several months of letting sugar sit in Yokohama harbour, the two sides agreed on a marginally lower price per tonne but arranged also to prolong the period of delivery and thus alleviate some of the Japanese refiners' cash flow burden this year and next.

Less honourably, Japan unilaterally reduced its imports of copper (from the Philippines) and nickel (New Caledonia) in the recession since the contracts were not as tightly worded on the producers' behalf as Australia's sugar pact was. That cavalier approach to long-term contracts has understandably met with some consternation among producer countries, but they are rarely in a position to tell the Japanese where to get off (94 per cent. of the Philippines' copper ore goes to Japan, and 97 per cent. of New Caledonia's nickel ore). So it remains to be seen whether Japan's resource procurement tactics since the oil crisis have left Japan more or less open to attack from its suppliers in future.

Douglas Ramsey

...echnology

...TINUED FROM PREVIOUS PAGE

...oxygen steel-making furnace ...which the basic idea came ...Austria). In another and ...er different field, Japanese ...nicians managed to secure a ...increase of yield in ...nd-cutting techniques ...ally developed several cen-...s ago in Antwerp.

...ch improvements clearly ...Japan to some extent in the ...of a passenger taking a ...on the basic technological ...ements of other countries. ...ever, one Japanese steel ...pany is in the process of ...ing its oxygen furnace ...puterisation techniques to ...U.S. steel industry (which ...considerably behind Japan ...in the installation of the ...oxygen furnace itself). ...steel industry, in fact, is ...of Japan's major techno-...exporters with a basic ...rable balance in 1976 of ...(earnings of Y13.8bn. less ...ress payments of Y10.8bn.). ...he current state of world-...technological development ...which the supply of basic ...ideas is becoming increas-...ly scarce clearly works in ...our of Japan's approach to ...development — although ...ally clearly the time will ...e when Japan will have to ...producing new ideas as ...as adapting old ones. One ...he problems facing the men ...harge of the nation's tech-...ogy development policy is to decide when an attempt should be made to train more pure scientists (so far relatively few and far between compared with Western countries, although Japan has a rich supply of engineers and technicians).

A second question is just how much of its new technology Japan should export. A case can be made for not giving the benefit of Japan's ideas to up-and-coming competitors like Korea and Taiwan whose own industries are beginning to challenge Japan in what used to be some of its strongest fields.

By and large Japan appears to reject this point of view for two reasons. One is that technology has a high rate of obsolescence so that it makes sense to sell old ideas in order to pay for new ones: a second is that, in an increasingly competitive world, technology may be one of the few things that other countries really want to buy from Japan.

When it comes to selling ideas Japan is uniquely well-equipped. Its general trading companies (some of which have departments specifically geared to this function) seem to be as good at finding markets for technology as they were at finding suppliers for the ideas needed to develop Japanese industry in the first place.

Charles Smith

JAPANESE INTERNATIONAL COMPANIES IV

On the next three pages, CHARLES SMITH, DOUGLAS RAMSEY, and YOKO SHIBATA profile nine of the leading figures in Japanese commerce and industry.

Men at the top

Yoshizo Ikeda

MR. YOSHIZO IKEDA is a burly ex-baseball captain (for Tokyo University) who now captains one of Japan's two giant general trading companies Mitsui and Company. He is also a man with an innate sense of optimism and a coovictioo that problems cao be solved by talking to people.

Mr. Ikeda (like Mr. Yoshizane Iwasa, profiled elsewhere) went to Loodon io autumn 1976 with the now famous Keidanren mission, but claims to have heen less shocked than his colleagues at the tough line taken by European busioessmen and politicians on the Japen trade issue. "We had a free exchange of opinions" he says, although he implies that the exchange coosisted mostly of the Japaoese side listenlog to "about a dozen British gentlemen" airing their views about the alleged impenetrability of the Japanese market.

Some harsh things were said but Mr. Ikeda remembers with appreciatioo at least two occasions during the London talks. One came near the end when Lord Watkinson, the President of the CBI "very suddenly" withdrew a proposal to issue a joint memorandum on U.K.-Japan trade problems which the Japanese side bad felt would have stirred up opinion in Britain unnecessarily. The other moment was when Mr. Edmund Dell (the Trade Secretary) drew the mission's atteotion to the fact that free trade and whisky were both Scottish products and suggested that Japan seemed to be "fairer" in its treatment of one than the other. "After hearing Mr. Dell's comments we went back to Tokyo and tried to persuade MITI to cut the duty on scotch to the same level as bourbon," recalls Mr. Ikeda.

Mr. Ikeda did one other thing after his trip to London with the Keidanren. He was back in Britaio just one month later to sign an agreement under which Mitsui and Co. became a 65 per cent. partner in a joint venture with British Leylaod to sell Leyland cars in Japan. It was the first time a big Japanese trading compaoy had become directly involved io efforts to sell foreign cars in Japan (although Leyland's previous Japanese agent, Shin Toyo Motors, had links with Marubeni Corporation).

Mr. Ikeda is modestly optimistic, but no more, about the sales prospects. He says it will take five to ten years to build up a sizeable market for Leyland in Japan. He admires the design of British cars but warns that the quality of British craftsmanship could do with some improvement. In London during the 1960s as Manager of Mitsui's London branch Mr. Ikeda drove a British car (not Leyland) which bed "lots of troubles."

Mr. Ikeda has done his best to persuade Toyota, e company which has strong links with Mitsui, to take a tokeo capital stake in the Leyland joint venture. It is in Toyota's interests to take an international view on motor trading he says, "end, after all, we helped to make that company"—alluding to Mitsui's early role in building up Toyota. So far, however, it looks as if the view of the world from Mitsui's new gold-coloured head office block on the east side of the Imperial Palace in Tokyo is a hit more international than the view from the Toyota headquarters on the west side.

Leyland cars are not the only British products Mitsui helps to export from the U.K. Its total sales of British products (not only to Japan, but to markets like Africa and Latin America) were worth £10m. last year. From the U.S. Mitsui exported $1.9bn. worth of goods last year whila importing only $1.2bn. worth. "I told President Carter when I met him that our exports included aboot $7m. worth of Georgia peanuts," he adds.

Yoshizo Ikeda.

Mr. Ikeda clearly believes that Mitsui in particular and trading companies in general can play a big part io smoothing out international trade frictions. He thinks other countries should copy the Japanese trading company model and says he has been consulted about this by a Canadian trade minister, a former Brazilian Finance Minister (Sr. Delfim Neto) and by Mexico. However, "Rome was not huilt io a day," says Mr. Ikeda and oeither should other countries expect to create something on the scale of Mitsui (handling about 12 per cent. of Japan's imports and exports) overnight. Mr. Ikeda says the nearest approaches to e Japanese general trading company outside Japan are probably the Denish East Asiatic Company and Jardine Matheson and Co. (although he concedes the letter is e good deal more profit-orientated then Mitsui).

So far as Mitsui itself is concerned Mr. Ikeda says he plans to aim for still greater internationalism in the pattern of the company's trade perhaps getting back to the situatioo between the wars when Mitsui derived about 25 per cent. of its total turnover from trade between countries other than Japan. He is intensely proud of Mitsui's 100 years of history and of the fact that it was the original Japanese "shosha" ("We were founded io the ninth year of Meiji, whereas Mitsubishi dates from 7th Taisho.") He feels, bowever, that the present roster of nine Japanese geoeral trading companies (ten until the raceot merger of Ataka and Co. with C. Itob) is too many. "Lots of them are in trouble nowadays" he adds implyiog that it is partly their owo fault and partly the result of the downturn in Japan's economy.

When he is not talking about Mitsui, Ikeda likes to talk about golf and about the people he has met playing the game (including Sir Harold Wilson, encountered on a golf course in Hampstead). He is modest about his English which, he says, was "entirely made in Japan." The fact is, however, that after four years in New York in the mid-1950s and five in London in the mid-1960s, Mr. Ikeda can probably communicate with his Western counterparts a good deal better than most other top Japanese businessmen. In a recent speech to the U.S. National Trade Convention in New York, delivered at a time of unprecedented tension in bilateral trade relations, Mr. Ikeda took care to insert a few jokes near the beginning because "you Westerners expect that—not like us Japanese who are inclined to be serious all the time." In the same speech he argued that sorting out U.S.-Japan trade problems was a matter of "getting the signals uncrossed." It sounds a bit optimistic, but Mr. Ikeda has clearly got where he is today by making sure that his own signals can he heard loud and clear.

C.S.

Hanae Mori

MRS. HANAE MORI, Japan's top women's fashion designer, opened e haute couture salon in Peris early this year. Her début in Paris was not only the first ever by a Japanese fashion designer; she was also the first foreigner in the past 10 years to open a new haute-couture salon in Paris (after Italian designer Ungaro).

Her Paris staff are all French and all the textiles used are made in Europe. The stress on European products and staff dispelled the earlier suspicions of the exclusive Union of Paris Haute Couturiers that letting in Mrs. Mori might mean allowing Japanese-made products to flood the EEC market.

In fact quite a large portion of Hanae Mori's European-made fashions are exported to her main customer country, the U.S. She sells her products through more than 1,000 sales outlets both in Japan and overseas including directly owned retailers and wholesalers who also handle other products. The Mori network boosted sales by 25 per cent. in 1976 to $85m., and further, though modest, sales growth is expected this year.

Mrs. Hanae Mori's success is in striking contrast with the plight of the Japanese textile iodustry, which is under pressure from other Aslan countries with cheaper labour costs. She says she has never been tempted by the idea of producing elsewhere in Asia on the grounds of cheap labour. For her, cheap labour means nothing, whereas competitiveness in quality and style means everything.

Before the opening of the Paris salon, the Mori collection had beeo on show only in New York. So European buyers had had to come to that city instead of to Paris. Mrs. Mori moved into Paris partly for the convenience of European buyers and partly because she could not resist having a presence in the world's top fashion centre.

Mrs. Mori says Europe is an easy place to work in and finds French tailors, cutters and seamstresses "very co-operative." Another attraction is the wide choice of textile materials, much wider than is currently available in Japan. At the moment Mrs. Mori says she is inspired by British woollens such as Scottish tartans and Irish tweed, both of which will figure in her next year's autumn-winter collection.

The European operation has widened the scope of Mrs. Mori's business but has also involved her in a punitive travel schedule. For the presentation of her haute couture collection (twice a year), for the Paris Pret-a-Porter shows (also twice a year) and for her shows in New York (three times a year), she has to spend five months of every 12 outside Japan.

Mrs. Mori's success could not have been achieved without support from her husband, Keo Mori. In contrast to most Japanese housewives she won freedom and independence after she got married. She started to study fashion at a design school after the end of World War II.

After completing her studies she set up a tiny boutique in Tokyo in 1950 and became involved in costume design for Japanese films. That business virtually faded out seven or eight years later when the Japanese film industry turned to pornography. However, the experience played a large part in helping to develop her creative talent, she recalls.

Meantime, Mr. Mori sacrificed his family textile business and began looking after the financial and marketing side of the business. At present there are 50 Hanae Mori boutiques in Japan and 200-300 wholesalers are handling her dresses.

Mrs. Mori's career as an international designer started ten years ago when she dropped in on New York on the way back from a "disappointing" visit to what was then the exclusive Paris fashion world. Her first foothold outside Japan was a branch in New York's Waldorf Astoria Hotel, but the number of Hanae Mori boutiques in the U.S. soon climbed to ten and the number of wholesalers to over 200. Her feminioe dresses with orieotal touches appealed to American women, who oow

Hanae Mori.

contribute 20 per cent. of turnover.

Mori's European opera accounts for 10 per cent. o total, but is expected to following the opening of Paris salon. In London, Ha now displays Mori designs the wife of a former B Ambassador in Japan repre Mori in U.K. "Lady W looks after me so well t no longer have any excu visit England," says Mrs.

Inevitably, Mrs. Mori's led her to diversify ou fashion. Her interests h have expanded to access cosmetics, interior designs, men's ties. Yet another li business is licensing of H Mori original patterns Japanese electrical applia kitchen goods and swim both in Japan and the Licensing has grown fast is now one of the compa most profitable lines.

Mori's clients include Japanese Imperial family, wives of leading politicians, the management of Japan Air Lines, who went to her for th new stewardesses' unifor But she still has one unsa fied ambition—to design me clothes. "I am interested 'total' men's fashion, not j neckties and accessories," Mori says.

However, ties have been a g point of entry into the m world, partly thanks to a fo Japanese Prime Minister, late Mr. Eisaku Sato. "I re have to thank Mr. Sato," Mrs. Mori; "he always wore my ties on TV. In fac was my best male model."

Looking beyond Paris New York, Hanae Mori th the Middle East is the promising place for her international venture. How her European operation wi taking up most of her time attention for the next few y She made a modest start year with a quiet set of des Next year she plans to something more adventuro

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Yoshizane Iwasa

MR YOSHIZANE IWASA is not fluent in English (in fact be prefers not to speak the language at all though be probably uoderatands it well enough). Nor is be a colourful or obviously dynamic personality. He is a small quiet man with a career stretching back over 49 years with the same major Japanese bank aod nowedays including an impressive nnmber of chairmanships of various organisations coonected with Japan's international business relations.

He is also one of the piooeer generation of post-war Japanese husinessman who tried to recoostruct tbe country's ecooomic relations with the outside world after the war and who still spend much of their time worrying about the communications gap betweeo Japan and its foreigo trade partners.

Mr. Iwase joined the Yasuda Bank in 1928 as a graduate from Tokyo Imperial Uoiversity (now Tokyo University). He stayed with the bank through the war and was cbief foreign manager io 1952 wheo tha post-war ban oo overseas Japanese banking activity was lifted.

He says that be realised that Japan could not bope to reconstruct its economy without a heavy reliance on trade and that trede meant an overseas banking presence. He eccordingly put his hank (by now renamed Fuji) into the forefront of Japan's post-war overseas banking advance—a limited ooe at first because of restraints imposed by the Ministry of Finance.

However, Fuji was one of the first Japaoese banks to acquire a *London branch (also its first* branch anywhere overseas because the pre-war Yasude Bank bad confined itself to Japan plus a few branches in occupied Manchuria). With the Londoo hranch as a starting point Fuji moved as rapidly into overseas banking as the Ministry of Finaoce would permit but with the emphasis (because it had oo real choice) on quality rather than quantity.

Mr. Iwasa became president of Fuji Bank (at that time the largest of Japao's 13 major city banks) in 1963. Simultaneonsly be became one of the most activa participaots in moves to open up "diplomatic relations" hetween Japanese businesa associations like Keidanren (similar to the CBI bnt more powerful and influential) and counterpart organisations in other parts of the world.

As an "ambassador" for Keidanren and Keizai Doyukai (aoother association of top Japanese businessmeo) he attended virtually every major business mission to the U.S. and Europe from the early '60s onwards. He was in Europe in autumn 1976 on the oow famous Keidanren missioo which for the first time brought bome to Japan the existence of a crisis in EEC-Japan trade relations.

Mr. Iwasa also has tn worry about U.S. trade relations in his capacity as chairman of the Japan-U.S. Economic Council. He has also beeo closely and continuously involved in the moves to liberalise access fnr foreign investors to Japan thanks to another chairmaoship —that of the Foreign Investment Council (a body of businessmen, officials and academics *which in effect makes* the major decisions about Japan's policy towards incoming foreign investment).

He also bas a personal reason for being interested in Japan's tentative moves to establisb an industrial preseoce in Europe. His soo is a maoaging director of Nippon Seiko Kaisha, the ball-bearings company which established a factory io Durham in 1976.

He bas oo easy answers to offer by way of solutions to Europe-Japan or U.S.-Japan trade problems. He believes atrongly in the need for Japan to be more opeo to foreigners (inclnding better access for foreign investors) but also thinks that Westerners, and Europeans in particular, have not tried hard anough to understand Japan. Ha thinks Japan tends to get "special treatment" from the West because of differences of culture, social structure and historical background which makes it hard for the two sides to sympathise with me annther's point of view.

Similarities in daily life disguise these basic differences but they are there all the same—particularly in wbat Mr. Iwasa calls Japanese "corporate ectivities." Iwasa says that foreigners have difficulty in putting Japan in perspective and in correctly estimating the significance of things thet happen in Japanese business and politics. A case in point could he the latest Cabinet reshuffle and subsequent moves to liberalise imports which may have stirred up greater expectations in the outside world than were really justified.

Iwasa says the next generation of Jepanese business leaders —when they get into the top

Yoshizane Iwasa.

posts—may find it easier to municate with foreigners his contemporaries have The new generation bas le to speak English and has plenty of overseas exper in contrast with Iwasa hi who bas never beld a fo posting despite 25 year handling overseas prob Japanese banks will be mere international, too. says eventually equalling banks which now depend large chunk of their fo bosioess on non-American tomers.

At 71 Iwasa is a kind of stateman for Fuji Bank more generally for the gro 29 major companies whic gether with Fnji make of Fuyo industrial and comme group). He has long sioce to handle the Bank's affairs but in the positio which Japan now finds his kind of statesmansh clearly golog to remain mand.

JAPANESE INTERNATIONAL COMPANIES V

Yusuke Kashiwagi

MR. YUSUKE KASHIWAGI says it is "pure coincidence" that in 1977 he is doing the same job that his father did around 1944. The job is running Japan's one and only specialist foreign exchange bank, the Bank of Tokyo. It was the Yokohama Specie Bank before and during the war when Mr. Kashiwagi senior was head of the New York Agency and subsequently President. The change of name however (which was one of a number of name changes imposed by the U.S. occupation authorities on leading Japanese companies) has not made much difference to the nature of the business.

The Bank of Tokyo is incorporated under a special "Foreign Exchange Bank Law" which gives it certain rights and privileges but also certain obligations in the field of overseas banking and exchange transactions. It is the only bank to which the law applies and Mr. Kashiwagi agrees that Bank of Tokyo's far-flung overseas branch network (about three times as big as that of the next most international "city bank") makes it into a sort of ancillary foreign service." Mr. Kashiwagi's qualifications for running that service include 27 years dealing with international matters in the Ministry of Finance (stretching from 1945 to his retirement from the Government in 1972).

Because of his father's job Yusuke Kashiwagi spent nine years of his boyhood in New York, returning to Tokyo at the age of 12 with a fluent command of English but almost no knowledge of written Japanese. This experience has helped him to understand why some of his own staffmen to-day show distinct reluctance to be posted abroad when their children are nearing secondary school age.

In Mr. Kashiwagi's own case, however, the early experience in New York turned out to be fruitful. He soon picked up Japanese characters at school in Tokyo and learned French as well because the school was one founded by French missionaries). By the time he graduated from Tokyo University in 1941 Kashiwagi boasted a first-class academic record plus a degree of fluency in English which was (and even to-day remains) extremely rare in Japan. Mr. Kashiwagi took the same civil and diplomatic service examinations and passed both. He chose the home civil service because an elder brother was already working overseas for Mitsui and Co. (the brother is now head of Nihon Lever).

Mr. Kashiwagi thus found himself, soon after the war, in the minister's liaison office of the Finance Ministry with the job of accompanying his minister on twice daily trips to the U.S. occupation headquarters to be told how to run Japan's postwar economy. Mr. Kashiwagi recalls that the Americans really ran everything in the early days of the occupation—every single cheque had to be cleared with the occupation authorities before delivery. Even by 1949, when the previous system of multiple exchange rates was replaced by the single fixed rate of Y360 to the dollar it was the Americans who chose the rate apparently changing their minds at the last moment from

Yusuke Kashiwagi.

Y330). Mr. Kashiwagi says the 360 rate worked because "we geared our other policies to fit it." To this day he remains a strong believer in fixed exchange rates rather than the floating system, which he says is fine in theory but hopeless in practice.

After his early spell in the liaison office Mr. Kashiwagi was shifted to the Ministry of Finance budget bureau, but continued to be concerned with international matters because his job was to look after the budget of the Ministry of International Trade and Industry. From then on his career began to centre firmly on international finance, with a spell as financial councillor in Washington and, from the mid-1960s onwards the director generalship of the international finance bureau of MOF.

In 1965 Japan became a member of the OECD and Mr. Kashiwagi became the first Japanese representative to attend the OECD's economic policy committee meetings. (He recalls that, at first, he could not understand what the other representatives were talking about.) He was still attending OECD meetings in 1966 and 1967 the decision was taken to devalue sterling. "But we were left out of the consultations—I only managed to find out from my personal contacts what was happening." During the 1968 French franc-D-Mark crisis Mr. Kashiwagi was an observer at a hurriedly called meeting of the Group of Ten (so hurried that there was no time for the Japanese Minister of Finance to come over from Toyko).

Mr. Kashiwagi says Japan remained a spectator of international currency negotiations until 1971 when it found itself the centre of attention with the yen suddenly the main candidate for revaluation. Even after that he feels that there has tended to be a distance between Japanese and other participants in international monetary gatherings. "They tend to use first names with each other, but it is unnatural for us to do that, except perhaps with school friends or members of our own family." Another reason why Japan (and to a lesser extent the U.S.) tends to find itself on the outside track, according to Mr. Kashiwagi, is the European habit of "caucusing" before such meetings. "They get together in advance to decide their position and their numbers often swing the decision in the larger meetings."

He says the difference between the present round of exchange rate adjustments and the one in which he was a protagonist is that, in 1971-72 everyone was prepared to make sacrifices to maintain the fixed exchange rate system. To-day, he implies, everyone is scrambling for what they can get. "Of course Japan must do something to reduce its surplus," but "it is very difficult to make sense of what the U.S. has been doing since the summer." He thinks the key to the problem of reducing Japan's trade surplus is economic recovery in Japan itself which is not being assisted at least in the short term by international efforts to "talk up the yen." He would like to see some kind of international agreement on GNP growth rates (setting Japan's at maybe around 6 per cent.) and more co-operation on exchange rate matters between governments of industrial countries.

Mr. Kashiwagi expects Japanese banks and Japanese business to become gradually more international, although, as far as banks are concerned, the Finance Ministry still keeps a close watch on overseas activity —"we have to go back to them every time we want to increase the capital in an overseas joint venture." He thinks that an obstacle to a fully international point of view on the part of Japan is the strong conviction that to succeed in life you must have been to a first-class Japanese university. The Bank of Tokyo has started putting some of its bright young executives through two- and three-year post-graduate courses in foreign universities such as Harvard and Oxford. "But we only started three years ago, which was later than some other companies." In the meantime there is another reason why the new generation of up-and-coming young Japanese businessmen may be less interested in serving abroad than Mr. Kashiwagi's generation. "In our day if you wanted to live the good life you had to go abroad—to-day you can live just as well in Japan."

C.S.

Yoshiya Ariyoshi

AT 76, Mr. Yoshiya Ariyoshi is up to new tricks. Next March he takes the chair of the OECD Business and Industry Advisory Committee (BIAC) in Paris. He already serves as chief Japanese delegate to BIAC and is simultaneously a Vice-Chairman of the Atlantic Institute. Both positions, he readily admits, take up as much of his time as his first calling as Chairman of Japan's biggest shipping company, NYK. "I know all about shipping," he says, "now I have to learn other things too."

Sporting a Jubilee tie, Mr. Ariyoshi, CBE, is uncommonly frank in his opinions for a Japanese. "The last cabinet was a tragedy. I have confidence in the new ministers but the (import liberalisation) package is most disappointing." He calls Tokyo's reluctance to import some goods "serious nonsense," but reckons further concessions will be made to Europe and the U.S. if enough pressure is brought to bear. "Any Japanese Government is like this," he explains: "Unless there's strong pressure, they won't do anything. They need a plausible reason to act."

Mr. Ariyoshi's opinions count. He is a director of the two big business organisations in Japan, Keidanren and Nikkeiren. His thinking is perhaps not the rule among Japanese businessmen of his generation, but it is clear that Prime Minister Fukuda's new Cabinet takes some inspiration from internationally-minded businessmen like Mr. Ariyoshi, who counts among his close friends the new minister for external economic relations, Mr. Nobuhiko Ushiba, former ambassador to the U.S. and a friend since their days in pre-war Berlin.

After graduating from Tokyo Imperial University in 1923, the law student joined NYK—he now recalls more for the ships than to go abroad. In his autobiography, published in English last August, Mr. Ariyoshi recounts his entrance exam at NYK: when asked why he wanted to join NYK, he replied "Because I think shipping is the most important field of business to our Japanese Empire, Sir." "Fine," was the reply, and he got the job.

In 1934, Mr. Ariyoshi was transferred to London where he stayed away from other Japanese, "the best thing I could have done." He was rewarded with a post in Berlin from 1937 to January 1940, in charge of handling huge consignments of war materials and heavy machinery from Germany

Yoshiya Ariyoshi.

to Japan's arms industry. When war broke out, all NYK ships were taken over by the Navy. Mr. Ariyoshi became general manager in 1942 of the wartime Shipping Control Authority. At war's end, U.S. occupation forces confiscated all ships but asked Mr. Ariyoshi to take control under U.S. Navy auspices, a position he held until 1952. When all ships were returned to private hands, Mr. Ariyoshi rejoined NYK as business manager.

"I felt we could revive our European service if we played our cards correctly," he says. "NYK still had a reserve of goodwill from the days of the first world war when it was the only company which maintained regular service to Britain despite the threat of German boats." With financial help from the Japanese Government in the form of interest subsidy loans, NYK built up its fleet and Mr. Ariyoshi is widely credited with rebuilding the European business.

Appointed managing director in 1957, Mr. Ariyoshi moved up to vice-president in 1961, president in 1965 and chairman in 1971. Not surprisingly for a Japanese so at home abroad, Mr. Ariyoshi has more decorations from foreign countries than from Japan.

And the future? In shipping, the NYK chairman says that the Russian shipping industry is the most important threat to free-world shipping in the next five years. "Unless we act soon, our own industries will be wiped out," he warns. "They can charge any rate: Russian shipping is entirely non-commercial. It is ironic that they are increasing their share of trade between capitalist countries, and we cannot fight back because of U.S. antitrust law which was supposed to protect private business in the first place."

NYK itself has been hit by recession, he says, but less than most because the company got rid of half its tanker fleet soon after the oil crisis. Other companies did not divest so quickly, but may get some relief out of the recent import package which will boost oil stockpiles by chartering unused tankers for extra storage space. The plan looks attractive, but Mr. Ariyoshi is sceptical: "I doubt its feasibility—the insurance costs alone will be tremendous. And only a fraction of the tanker surplus will be reduced because so many Japanese ships are under flags of convenience and I doubt they will be made eligible."

D.R.

Bunishiro Tanabe

MR. BUNISHIRO TANABE runs Japan's and the world's largest general trading company but is not too hopeful of being able to do much to reduce Japan's massive trade surplus. "We were called in this morning by the head of the MITI (Ministry of International Trade and Industry) Trade Bureau. The topic was how to increase imports and reduce the balance of payments surplus but I couldn't suggest anything. Trading companies are always ready to move into new lines of business but they are not in a position to take up items which are not profitable."

Mr. Tanabe says that although Mitsubishi Corporation is expanding into car sales on behalf of Mitsubishi Motor Corporation it would not be able to handle imported cars "because you need special knowledge and a big investment in servicing facilities.

"Some import items are just too small to yield trading companies the required gross profit of 2 per cent. on all the goods we buy and sell throughout the world. Out of that we have to meet all our running expenses, so it just doesn't make sense to handle small items." Actually Mitsubishi does handle a few small items, including Brooke Bond Tea, "but that got big enough to make it worth while."

Mr. Tanabe says that the main requirement for solving Japan's trade problems is for Japanese politicians to become more internationally minded. "Most politicians are from the country and so can't do anything to antagonise farmers. They don't pay any attention when some foreign country asks Japan to increase its food imports." Mr. Tanabe includes the new Japanese Cabinet in his scepticism, saying: "At first it looked as if changes were on the way, but after a week there was a change of tone" (particularly from the Agriculture Minister, Mr. Nakagawa, whose job it is to liberalise farm imports).

Mr. Tanabe thinks that lifting Japan's elaborate network of foreign exchange controls would help because it would enable trading companies to use far more yen (instead of dollars and other currencies) in financing their overseas transactions. Being a realist, however, he does not see much chance of that happening either. "Those Finance Ministry officials like to sit in a big chair and tell us what we can or cannot do," he explains. Liberalising the controls would take away one of the main sources of power of the Finance Ministry—and the Ministry is not likely to agree to that, he implies.

Mr. Tanabe is a life-long Mitsubishi man who saw service in New York both before the war (five years in the 1930s) and after it (seven years as president of Mitsubishi America from 1957 onwards). In this respect he is like his predecessor, Mr. Chujiro Fujino (now chairman), who was in America during the depths of the recession. "Every time we have a business slump here Fujino tells us it's not as bad as the 1930s," says Mr. Tanabe, "but he admits that this one is the second worst. Both he and I can remember people on the streets of New York begging for nickels to buy a cup of coffee in the '30s.

Mr. Tanabe says Japan's Prime Minister, Mr. Takeo Fukuda, is right when he says the history of the 1930s recession could repeat itself—"in fact he is righter than he knows." If there were a trade war Japan would suffer most, says Mr. Tanabe, because of its overwhelming dependence on imported food and raw materials and its need to export in order to pay for these.

Bunishiro Tanabe.

Mr. Tanabe is proud of Mitsubishi as one of the very few companies in Japan or anywhere else which really deserves the name of a "general trading company"—even C. Itoh and Marubeni (the third and fourth largest traders) really started off as textile traders, he says.

Mitsubishi Shoji (as it then was) began life in the 1920s exporting coal and metal from mines in Japan owned by the rest of the group. "For the first 10 years or so we only did Mitsubishi business, but after that we branched out and bought and sold anywhere," says Mr. Tanabe. To-day about 30 per cent. of Mitsubishi's business is with other members of its own group companies and 70 per cent. with the outside world. "Still, we are different from Mitsui," says Mr. Tanabe. "They were general traders from the very start." Mr. Tanabe has no desire to visit the magnificent new headquarters Mitsui has built itself overlooking the Emperor's Palace. "I've been told I should go and look, but I'm not interested—I'm quite satisfied with my present humble abode."

C.S.

JAPANESE INTERNATIONAL COMPANIES VI


Morning assembly for Matsushita workers.

Akira Harada


Akira Harada.

OVERSEAS STRATEGY for a company with exports of over $1.5bn., 55 foreign subsidiaries and brand names like National, Panasonic and Quasar cannot be a one-man job; but at Matsushita, it almost is. However, the decisions centre on one who is neither president nor chairman. Mr. Akira Harada, senior managing director since February, works in tandem with the new president who was promoted from inside the company's domestic operations. "I know little about the Japanese side, so we make a good combination," the youngish (at 57) executive admits modestly.

In fact, Mr. Harada has stayed on as president of Matsushita's mammoth U.S. operation, Matsushita Electric Corporation of America (Meca), headquartered in New Jersey. When he took over Meca in 1972, the company and its various subsidiaries employed 2,000. Since then, Matsushita has become the largest Japanese employer in the U.S. with over 5,000 employees, most of them added with the acquisition of Motorola's Quasar television division in 1974. After thoroughly modernising Quasar, Mr. Harada says it will turn a profit from this year—something Motorola did not think possible in 50 years. Meantime, Panasonic sales have more than doubled in the U.S. market, and Matsushita-made TV sets are now the third-best-selling in America after Zenith and RCA.

Asked whether Matsushita will further expand in the U.S., Mr. Harada says not in manufacturing—for now. One reason, he explains, is the need to develop a more "balanced" overseas presence. More importantly, the emphasis in U.S. operations now shifts to the introduction of new products. Matsushita and other TV exporters from Japan have seen their exports drop to the U.S. by about 40 per cent since an orderly marketing agreement took force in July; some of the shortfall can be made up in domestic U.S. production, but Matsushita hopes to offset the loss with new products, notably the VHS video tape recorder system it has developed. Mr. Harada must take credit for Matsushita's success in lining up RCA, Magnavox, Sylvania, GE and other U.S. manufacturers to take Matsushita's system over Sony's Betamax system (adopted by Zenith). Mr. Harada estimates that Japan's VTR exports in 1978 will rise to about 800,000 from 300,000 units this year, and he claims that Matsushita will take well over half the market. Matsushita has the capacity to build up to 50,000 VTRs a month at three Japanese locations.

Little known in Europe until now, Mr. Harada introduced himself in August along with Matsushita's new VHS VTR for use with Pal and Secam colour transmission systems. The VTR will go on sale from early 1978 in Europe, and Mr. Harada has already lined up a series of European clients as he has done in the U.S. He has also begun to travel and speak widely; in October he represented the Japanese electronics industry at meetings with Canadian manufacturers, and he participated in a major Japanese industry mission to Singapore and Malaysia in November.

Mr. Harada, of course, is no ordinary Japanese businessman. His career is not even typical of that elite from Tokyo University who occupy key positions in Japanese Government and industry. He has done both and, to use the Japanese expression: "descended from Heaven" only six years ago, when he joined Matsushita from the powerful position he occupied as director general of MITI's International Trade Bureau. As such, he presided over one of the swiftest expansions of Japan's exports ever. Japan's top companies vied for his services, and Matsushita won out with the carrot of its U.S. operations.

Unlike many of Japan's successful businessmen who were forced into becoming "international" to help the business, Mr. Harada came early to it. Picked from the immediate post-war crop of top university graduates, he was allowed to do graduate studies (in business administration) at New York University. He has been returning to the U.S. ever since. He was Miti's man in Washington between 1957 and 1961, and returned ten years later to supervise Meca (then headquartered in Manhattan).

On his way to becoming head of the International Trade Bureau, Mr. Harada also was director-general for what was then called the "trade promotion bureau"—renamed, at his insistence, the Bureau of Trade and Development. "That says something about my feelings," Mr. Harada points out. "Two-way trade is most essential, and that means promoting imports, too, and development assistance should be a third pillar."

Understandably, Mr. Harada now worries incessantly about trade relations with other industrialised countries. "The economic climate is bad but it must not get worse," he insists. Asked how to improve it, he takes exception to the Government's reluctance to act strongly: "Industry and Government must stimulate the Japanese economy, and we also have to open our doors to imports from other countries; we must also commit more aid to developing countries." What's more "Japan cannot continue to accumulate surpluses for too long," he warns; "we could have withstood this rapid rise of the yen by taking strong action to reflate; but Japan's reaction was too late and too slow. Now we must pay the price."

Responsible for the 21,000 Matsushita employees overseas ($3,000 in Japan), Mr. Harada reckons a more active strategy is needed if Matsushita is to go on building abroad. Until now, the job of developing an international strategy was done piecemeal (however successfully). Mr. Harada aims to make it "more systematic, more long-term, and more worldwide." And more exports? "No," he replies at first; then adds: "As the world market grows, so will the volume of our exports. But we also need balance between what we export and what we produce abroad. Our founder has developed his PHP theory—peace and happiness through prosperity—which still applies to the fundamental policies of Matsushita. It so happens that PHP can also stand for 'Please Help Panasonic'—and that's not had either."

D.R.

Seiji Tsutsumi

HE PEPPERS his conversation with Keynes, Marx, consumerism, attacks on the oligopoly of big business in Japan and the need for new political leadership. At 50, Mr. Seiji Tsutsumi says all the things that Japanese businessmen are not supposed to say. Moreover, his fresh approach to Japan's international responsibilities is not suspect; the empire he commands is one over the very few in Japan which does not export. Instead, the Seibu Group imports—and Mr. Tsutsumi reckons his success will now tempt other Japanese businessmen into businesses which improve "quality of life" in Japan rather than just build up Japan's foreign exchange reserves.

"You see, I am still a radical," laughs the chairman of Japan's fastest growing and possibly most internationally-minded group of retail companies. Mr. Tsutsumi is continually reminded of his student-radical days at the prestigious Tokyo University; in time, he has proved to be the most radical (if practical, too) businessman on the domestic scene, and therein lies much of his success. He has parlayed a single department store inherited from his father (then Speaker of the House of Representatives) into a group of 105 companies employing over 50,000 and with annual sales in 1977 of well over $5bn.

"Seibu stands on the side of the consumer," Mr. Tsutsumi boasts, "and that accounts for our success." Growth has been 30 per cent. a year for the last 10 years, with sales of imported goods rising even faster than that.

Mr. Tsutsumi took over as chairman in 1961, but Seibu's real impact has only been in the 1970s. He is credited with having had more influence on the taste of Japan's younger generation than anyone else, by bringing European and American fashion and products to Japanese neighbourhoods.

The radical influence, though, is best typified by Mr. Tsutsumi's concern for what he calls "retail environment." Keen on art, he created Japan's first department store museum of art right inside one of Seibu's Tokyo stores. "We wanted to bring culture to our clients," he explains, "and of course my advisers said it was crazy because we would lose money." But Mr. Tsutsumi has consistently looked at Seibu's expansion with different glasses. In a recent report he says that the most complex challenge for Seibu is "to be a company which is responsive to the hroader scopa of social needs..."

Recent exhibits of work by Max Ernst and M. C. Escher were the first of their kind in Japan; but more important, they provided new perspectives on the contemporary environment. The experimental works at the Seibu Theatre are also introducing new concepts and ideas. He also aims to make Seibu stores "a natural community centre," and Seibu has pioneered town shopping centres.

Mr. Tsutsumi is also keen on supplying essential services, and stunned the entire industry in 1975 when he got approval from the Ministry of Finance for the first new life insurance company (a joint venture with Allstate of the U.S.) in 40 years. Seibu Allstate has offices at 16 major Seibu outlets; other big department stores which thought life insurance at retail level would flop have since invited old-line Japanese insurance companies to set up offices in their stores.

The Seibu Group's strength appears to derive partly from its uniqueness among Japanese retail companies. It has none of the intricate links with financial institutions which have proved the strength of Japan's major exporting conglomerates. Mr. Tsutsumi himself calls the structure "integrated yet flexible"; certainly it has moved strongly into all retail sectors and despite the stagnation in consumer spending during the recession has done booming business across the board.

Mr. Tsutsumi is an uncommon observer of Japan's economy, only because he is that rare Japanese international businessman not living off exports. "Japan's surplus with the EEC and the U.S. is not healthy," he says. "The leaders are that kind of people who expanded the economy by maintaining a tight financial control in Japan that businessmen have no alternative but to export. The potential for imports is always there. I worry, though, that with these leaders, how can we close the gap?"


Seiji Tsutsumi.

The Seibu Group is doing its bit. In Sony's footsteps, it recently placed an advertisement in the French daily Le Monde, offering Seibu's services to French companies interested in selling in Japan. Similar advertisements will appear in London and New York in early 1978. The response in France has been enormous, according to Mr. Tsutsumi, who expects to distribute most of the goods through Seibu, although Seibu International Trading will find other outlets if Seibu is not appropriate to a given product or technology.

In large part thanks to Mr. Tsutsumi's sister and representative, who has lived in Paris for 20 years, French goods account for 41 per cent. of Seibu's direct imports which rose to about $70m. last year (a tenth of total sales). The hulk is in fashion, hut Seibu also imports Citroën and Peugeot cars and recently became Aerospatiale's dealer for helicopter sales.

Seibu has close links with the U.S. group Sears Roebuck (which recently invested $... in convertible Seibu debentures). Seibu buys substantial volumes of textile goods in the U.K., and has bought into the Australian cattle industry in anticipation of future expansion of Japan's imports of beef despite the vociferous Japanese lobby against it.

E

Noburu Gotoh

MR. NOBURU GOTOH'S father was a Ministry of Transport official who retired to form what subsequently became Tokyo's largest private railway company. Mr. Gotoh himself did something more. Since taking over in 1954 as president of Tokyu Corporation (the name is a telescoped version of the Japanese for Tokyo Express Railway) Mr. Gotoh has turned his father's creation into a transport-property development, recreation-oriented conglomerate, with annual sales of Y1,500bn. (£700m.) and a total of around 243 separate operating companies.

There are other massive business "families" in Japan with higher turnovers than the Tokyu Group, but most of them nowadays consist of rather loose clusters of companies with fairly modest interlocking shareholdings and a president club that meets at regular intervals. Tokyu, by contrast, is a highly centralised group run personally by Mr. Gotoh from his office in a 25-year-old—and frankly unimpressive — office block in Shibuya, a shopping and entertainment centre which hears about the same relationship to central Tokyo as Kensington High Street does to the City of London. Mr. Gotoh seems to be proud of the fact that he has not built a large modern headquarters as almost every other big Japanese company has done in the last few years ("only companies which have run out of other things to invest their money do that," says an aide). He is also proud that Tokyo Group is not run by a bank. The bank groups work on the principle of "kane no kireme ga en no kireme" ("When you lose your money you lose your friends"), says Mr. Gotoh. "We are different."

The principle on which Tokyu claims to operate is one of "disciplined centrifugal force"—in other words the original railway operation has been continuously giving birth to satellite operations such as property development department stores and hotels (and more recently tourism), which are, as it were, in a "controlled orbit" around the central core of the group. From about 1960 onwards this centrifugal force started to involve Tokyu in overseas operations. The group has invested about $150m. of its own funds in high-quality development projects in places like Hawaii, Western Australia and Indonesia.

Developments in these and other countries around the Western Pacific fringe will eventually contribute a substantial portion of Tokyu's income. But the company's outward thrust is under strict control from the centre. "One rule," says Mr. Gotoh, "is that we will not do anything outside the Pacific Basin area." Hotel or property developments in Europe would be too far away and too difficult to control and are therefore ruled out. As a theoretical basis for defining Tokyu's overseas "territory" Mr. Gotoh argues that developed countries have natural "spheres of influence" and that the Western Pacific is a Japanese "sphere." He will not even go into the Australian states (partly because these are already too developed for the kinds of projects that Tokyu has in mind).

The second principle Mr. Gotoh claims to follow is to adhere to high-quality development standards aimed at producing projects with a maximum life span (and often an extremely slow return on capital). Tokyu is a "total" developer in that it does not merely build houses. It also provides and operates transport facilities (railways, buses or both), shopping complexes, hotels, etc. It may start a development with railway and fill in the other parts later or with shopping complexes which will only be followed by housing after a profit has started to come. This approach generates an early cash flow which enables the company to postpone the ultimate pay-off on the rest of its investment and thus allow more open space and non-profit making facilities in its projects.

Tokyu also claims to have gone as far or further than anyone in considering local feelings when it undertakes a big development. When the company acquired 4,000 acres on the west coast of the main island of Hawaii, it spent the best part of a year having the area surveyed for archaeological relics and then announced that every single relic on the site would be preserved and opened to public viewing. In the same project it opened a public cycle track and persuaded a neighbouring developer to allow the track to extend on to his territory.

Although Mr. Gotoh sees Tokyu as a Pacific operation from the investment point of view, he takes a global view when it comes to finance. Until last summer Tokyu had funded most of its investments from its own resources (or from Japanese bank loans). But in August the company made its debut on the Eurobond market with a de-


Noburu Gotoh.

liberately modest $15m. Mr. Gotoh not only went to London to sign the issue agreement but took with him the presidents of the five main operating companies (department stores, hotels, property, domestic airways, land development and rolling stock). "Hardly anyone in Europe had heard of us before last August," says Mr. Gotoh. "But we hope they know a little better now." European shipowners, at least, should have heard of Tokyu, since a member company holds a 50 per cent. share in the world market for shipping containers.

Mr. Gotoh was 60 last ... and has a grown-up son in the construction division of ... The official answer to the question whether son will succeed father is "no-one knows." A more considered reply is: "According to the Japanese mentality a company has more internal cohesion if the leadership stays in the family."

Japanese industry has a habit of scanning the world for business opportunities. On the next three pages, CHARLES SMITH, DOUGLAS RAMSEY and YOKO SHIBATA look at the opportunities available to Japan in some of these areas and examine how the country's major exporters have tackled the various markets.

Latin America

ONE CAN hardly talk these days about Japan's economic relations with Latin America: more correctly, Japan deals one way with Brazil, and a very different way with the rest of Latin America. Why? Since the oil crisis Brazil has refused to let Japan boost its exports to Brazil by the exponential figures recorded elsewhere. In 1974 Brazil took $1.4bn. worth of Japanese goods, but by 1976 severe import restrictions had done what few other countries managed to do, that is, cut Japanese sales to Brazil by 37 per cent. (to $882m.). In the rest of Latin America, the reverse was true. Last year alone Japanese exports to the region as a whole rose 25 per cent. at the same time as exports to Brazil fell by 9.5 per cent.

Japanese companies have, as a result, been forced to rethink their ties with Brazil—and Latin America. Nearly 20 companies have pulled out or stopped investing in Brazil in the past year because the new economics make their operations losers. By last March, however, Japanese authorities had authorised some 870 cases of investment in Brazil, so the number of companies pulling out is only a fraction of those who will stay. There are indications, moreover, that new entrants will find attractive opportunities despite the virtual halt in import expansion with Japan. In the past year, Fuji Electric and Sharp have both set up electronics components factories, and others will follow suit.

Paradox

The paradox of Brazil's share of Japanese exports to Latin America falling to just over [illegible] per cent. is that Brazil remains by far the most important centre of Japanese investment in the region. In 1976, Brazil accounted for 48 per cent. of new approved investment, and by March, 1977, the country had $1.8bn. worth of outstanding investment from Japan—54 per cent. of the Latin American total.

What is surprising is that investment has not been reduced as much as might have been advisable given the decreasing importance of Brazil as a market for goods made in Japan. Most companies which invested in 1973 and 1974 did so for two reasons. The first was Brazil's market: one of the fastest growing markets in the world, Brazil represented a major potential source of revenue for Japan's export industries. Second was Brazil's resources: the country's mineral deposits and food potential were made even more attractive by sky-high prices on commodity markets. In many cases, Japanese companies hoped to trade off between the two, that is, paying for resource development with export earnings. When commodity prices began to slide, so did Brazil's foreign reserves. In time the Government introduced draconian measures to reduce imports, and the major planned source of income for Japanese companies to finance resource investment dried up overnight.

In September, 1976, Japan and Brazil sought to dispel doubts about Japan's continued interest in Brazil. During the State visit of President Geisel to Tokyo, the two countries agreed in principle to proceed with several joint resource projects which would entail over $2bn. worth of Japanese finance by 1980.

● Aluminium. Japan's overseas economic co-operation fund (OECF) and a consortium of private companies will put up 49 per cent. of the equity capital toward building the Albras smelter and alumina plant. The smelter will cost about $1.35bn., the alumina plant an estimated $680m. Progress has been slow, due mainly to Brasilia's reluctance to earmark State funds to the project this year.

● Steel. Kawasaki Steel's Tubarao steel project is now running a year behind schedule. The Japanese company (representing 14 Japanese backers) and Italy's Finsider share 49 per cent. of the Tubarao capital, while the Brazilian State company, Siderbras holds the majority stake. Again, most of the delays are directly ascribed to Brazil's inability to come up with its foreign exchange obligations (which Siderbras anyway is trying to foist on to Kawasaki and Finsider without, however, also offering them a majority shareholding).

Iron ore. Japan's Eximbank has earmarked $60m. to help Kawasaki Steel finance its 49 per cent. share in the Capanema iron ore complex, which could yield over 11m. tons a year by 1980—with 2m. tons destined for smelting in the Tubarao furnaces, and the rest for sale on the world market. This project is reported to be on schedule, although delays at Tubarao and the current depressed state of iron ore prices may give rise to voluntary delays in 1978.

Dwindling

Japanese companies involved in these huge Brazilian investments do not seem too worried about the delays. Their Brazilian partners are invariably State companies—given Brazil's huge trade deficit in 1977 and dwindling foreign reserves, it would have been surprising if all the projects got off to a roaring start. Moreover, markets for steel and aluminium are practically flooded and, in the case of steel, Japan's domestic furnaces are working at less than 80 per cent. of capacity. So delays on the Brazilian projects make good business sense by putting off the day when Japanese steel made in Japan must compete with more Japanese steel made in Brazil. Similarly, Japan is building an aluminium smelter at Asahan in Indonesia, which looks attractive even at present prices but might be less so if the Albras smelter goes into operation simultaneously (as initially planned).

In this climate it is not surprising that the Japanese have called a halt to new resource projects in Brazil. One of Japan's largest foreign subsidiaries is Usiminas, the joint steelmaking company in which Japanese companies (led by Nippon Steel) and the OECF together hold 18.68 per cent. of the shares. The complex now produces 2.4m. tons a year, but the Brazilian Government is keen to expand the complex to 3.5m. tons capacity before 1980. The additional cost to Nippon Usiminas would be about $18m. —only a fraction of the amount Japan is obliged to invest in the Tubarao complex. Earlier this year Brasilia made a formal request to its Japanese partners in Usiminas for the capital increase for expansion, but the Japanese have shown little interest, although Nippon Usiminas does not rule out a favourable decision in the course of 1978.

Other Latin American countries have not yet reacted to Japan's increasingly lopsided business dealings with Brazil. The counterpart to fewer exports and more investment in Brazil, though, has been more exports and relatively less investment in the rest of Latin America. One exception: Peru has less of both. It plays host to the second largest portion of Japanese investment after Brazil, but Nissan is pulling out, and no new cases of investment were authorised by Japan's Ministry of Finance in 1976. The Lima Government moved to bring foreign companies more under its control after 1975, and it is understood that more Japanese capital was withdrawn in 1977 than put in.

Argentina, too, has ceased to be an important trading partner for Japan. Foreign exchange controls cut back Japanese imports into Argentina by 36 per cent. to $233m. in 1976. The performance in 1977 will have been better due to large machinery orders, and in November, at a joint economic co-operation meeting in Buenos Aires, Argentina's Economy Minister called for more trade with, and investment from, Japan. But Argentina ranks low in terms of investment appeal because of political conditions and this does not look like changing.

By contrast, businessmen see plenty of room to expand investment in Mexico, a country which has maintained political stability and steady growth in its trade with Japan—on the export as well as import side. In December, the two countries exchanged notes in Mexico City aimed at preparing the ground for direct sale of Mexican oil from the State-owned Pemex Oil Company to Japanese buyers. Japanese companies hope to win a major contract for a suburban rail system now on the drawing-board, and there are plans by manufacturing companies to go into joint ventures to produce for the domestic market. Some 45 projects so far by Japanese investors have been mostly in small industry, but exports anticipate large future investments in heavy industry, notably petrochemicals. Japanese investment in Mexico rose by $30m. last year to total $171m., a figure which could easily be doubled by 1980.

Venezuela is something of a predicament for Japanese businessmen who had hoped to take maximum advantage of burgeoning Venezuelan oil revenues. In the event, very little investment has occurred because of tight controls by Caracas on incoming equity capital. Moreover, since Japan buys almost none of its oil from Venezuela, it has been the preferred supplier it is used to being in dealings, say, with Indonesia. Nevertheless, Venezuela was the one bright spot for Latin American sales in 1976, and Japan is now running a trade surplus of over $500m. with that country. Exports ballooned 57 per cent. in 1976 to $563m., while imports from Venezuela declined slightly to $33m. Japanese companies have apparently shelved plans to invest in a major aluminium project in Venezuela because of the previous commitments in Brazil and Indonesia, but several contractors are bidding to build the new Caracas subway.

D.R.

Canada

WE RANK at the other end of the spectrum from the New Zealanders as far as treatment of Japan is concerned," says the Canadian Ambassador in Tokyo, Mr. Bruce Rankin. "They are using unrelated issues [in other words the deal to exclude Japan from the 200-mile New Zealand fishery zone] in order to get better terms for their exports. We have not made any threats against Japanese imports; in fact we are saying that we will definitely not put up barriers of any kind." All the same Canada is worried about access problems for its industrial exports (and for agricultural and forestry products) to the Japanese market.

The Canadians, like the Europeans, Australians and others are also worried that their interests may be overlooked in the import liberalisation programme which Japan is undergoing under pressure from the U.S., even though Japan says its liberalisation measures will be global not bilateral.

The reason why the Canadians are less abrasive than some others (at least in public) about their trade relations with Japan is that the balance on bilateral trade is running comfortably in Canada's favour. In 1976 Canada exported $2.7bn. of goods to Japan while taking $Can.1.5bn. in return.

The favourable balance, however, is not the nub of the matter. What seems to play a larger part in determining the Canadian stance is an awareness of just how much Canada might stand to lose from the downturn in Japanese economic activity that might follow from a trade war. Japan is Canada's second largest market (although Canada ranks only number six among Japan's suppliers) and [illegible] per cent. of Canadian exports to Japan in 1976 consisted of raw materials the demand for which is dictated by the level of operations in Japanese industry. [illegible] exporters of coking coal stand to lose heavily if Japanese steel exports have to be cut back as a result of pressure by the U.S. or Europe. (In fact Japan's purchases of Canadian coking coal fell this year anyway and will probably fall again in 1978 because the Japanese steel industry is already in serious difficulties.) Canada also depends heavily on the Japanese market for zinc (currently extremely slack) and copper. This degree of dependence tends to tie Canada's hands in trade negotiations with Japan, or at least prevents Canada from being as tough as some of Japan's other trade partners.

Increase

What the Canadians would like to achieve is a substantial increase in the share of fully manufactured goods in their exports to Japan (the share is currently 4 per cent., compared with 20 per cent. for exports to the EEC and 30 per cent. for exports to the U.S.). They also want better access for food and forestry products which come into the 27 per cent. of semi-processed goods that make up total Canadian exports to Japan.

In the industrial sphere Canada considers that it could sell substantial amounts of sophisticated telecommunications equipment to Japan (the present value of sales is only Can.$3m. to $4m. per year) if Japanese Government procurement methods were liberalised so as to provide a fair opportunity for foreign bidders. Canada is also interested in selling STOL (short take off and landing) aircraft.

The Canadians, like most other industrialised nations, have had their share of negative experiences in trying to enter the Japanese market. One case involved the De Havilland "water bomber" (an aircraft which scoops up water from the sea or a lake and then dumps it on forest fires) which Japan was on the "verge of buying" but which now faces strong competition from a remarkably similar aircraft manufactured by Kawasaki Heavy Industries.

Another case involves an improved version of the cobalt bomb developed as a cancer cure by Atomic Energy of Canada. The Canadians have been told by Japan's Ministry of Health and Welfare that before orders can be placed in Japan the cobalt bomb must be installed and order for one year at Canadian expense in a Japanese hospital nominated by the Ministry, where a minimum of 40 patients must undergo treatment. Canada understands that the Ministry will then take a further year to evaluate the results of the tests.

In the field of agricultural products and processed foods, Canada takes exception to what one source describes as the "yo-yo" tariff on pork imports. The Canadians also criticise the Japanese practice of taxing imports of sawn timber, but not imports of logs, which they see as an attempt to protect Japan's 25,000 small sawmill operators.

Another target of criticism has been Japan's insistence on lumping forest products under the heading agricultural goods in preparing its position for the final round of GATT talks in Geneva next year. Classing forest products as agricultural goods automatically means that Japan will be making fewer concessions on them, say the Canadians, because there will be less give and take in this whole area than in other areas to be covered by the GATT negotiations.

There are some bright spots in Canada-Japan economic relations. It is now virtually certain that Japan will order a CANDU heavy water reactor from Canada and that more orders will follow after the first has been placed. Talks on the purchase have now passed the stage of feasibility studies and have entered the second phase, which involves studying methods of making the reactor earthquake-proof. Phase three, involving some minor redesigning of CANDU to meet specific Japanese requirements, will follow next year and the two sides are already starting to consider prime contractors for construction of the first reactor complex.

Another area where Canada and Japan seem to be developing their relationship is in plans for extraction of oil from the Alberta tar sands. Japan will probably buy a 25 per cent. share of the tar sand concession (with estimated reserves of 160bn. barrels) owned by a joint venture consisting of Petrocan, City Services and Imperial Oil (the Canadian affiliate of Exxon). It will then participate in the development of technology for boiling the oil out of the rock structure where it is located—leading, if all goes well, to commercial exploitation around 1990.

Rich

Canada and Japan (like Japan and many other Pacific Basin countries) have complementary economies in the sense that one is a rich source of raw materials while the other is an efficient mass producer of industrial goods. The relationship receives an extra twist from the fact that Canada is an efficient producer of a few highly sophisticated industrial goods that Japan does not make. The Canadians want Japan to recognise this fact by showing more enthusiasm for buying such goods. In return they say they will continue to offer what is claimed to be the "biggest overseas market for Japanese goods in per capita terms."

The Japanese seem to prefer talking about Canada's exports of raw materials where the issue which they stress is the need for "reliable supplies." The resulting communications are considerably less than ideal but still a good deal better than those between Japan and some of its other Pacific trading partners.

C.S.

South East Asia

JAPANESE COMPANIES by and large earn more on their investments in south-east Asia than anywhere else overseas. A survey by the Ministry for International Trade and Industry (Miti) released in 1976 showed the average rate of return on capital invested in foreign production subsidiaries to be 8.6 per cent. overall, but 15 per cent. in South-East Asia. In the textile sector, dividends are reckoned to be higher than 18 per cent. (though these figures may bave coma down due to recession). But the overwbelming conclusion is that Japan has got more than lt pound of flesh out of South-East Asia, and it explains, in part, the importance which other Asian couotries attach to more equitable relations witb Japan.

JAPAN AND ASEAN

	Indonesia	Philippines	Malaysia	Singapore	Thailand
Imports from Japan (1976)	$1.6bn.	$966m.	$828m.	$1.6bn.	$1bn.
Exports to Japan (1976)	$4bn.	$622m.	$1.1bn.	$668m.	$848m.
Total exports (1976)	$8.5hn.	$2.5bn.	$5.3bn.	$6.6bn.	$3bn.
Per capita GNP (1976)	$240	$410	$860	$2,700	$380
Japanese official development assistance, 1960-75	$1.3bn.	$717m.	$158m.	$45m.	$166m.
Japanese residents (at October, 1976) (persons)	5,343	3,352	2,439	4,821	5,936
Outstanding Japanese investment (at March, 1977, approved)	$2.7bn.	$354m.	$356m.	$305m.	$228m.

Sources: Ministry of Foreign Affairs, except total exports and per capita GNP figures supplied by Asian Development Bank; outstanding investment figures supplied by Ministry of Finance.

A fair deal is what the Association of South East Asiao Nations (ASEAN) asked from Prime Minister Takeo Fukuda when be went to the ASEAN summit in Kuala Lumpur last August. He pledged, in return, some $1bn. in assistance to the region's joint development projects: urea plants in Indonesia and Malaysia, a superpbospbate plant io the Philippines, a soda ash plant in Thailand and a diesel engine factory in Singapore. The $1bn. will be disbursed as and when ASEAN agrees on details for the projects, only one of wbicb has already been the subject of a detailed feasibility study. Thus, although the promise of soft finance for almost 75 per cent. of the expected cost was well received hy ASEAN, it may take years to percolate down from Japanese lending agencies.

Mr. Fukuda's trip, howaver, marked a definite improvement in economic relations with Southeast Asia. An earlier prime minister, Mr. Kakuei Tanaka, faced riots in the region when he visited in 1974.

Since then, local rules governing foreign investment have tightened throughout the region, and the general tendency has been to get Japanese companies to make do with equal or minority shareholdings in their Southeast Asian ventures. As a result, experts say nearly 50 per cent. of the "Japanese" companies in Southeast Asia are minority-held; by contrast, Japanese companies in Latin America are estimated to bava minority stakes in only 30 per ceot. of the cases, with close to 50 per cent. wholly-owned by the Japanese parent company.

Japan's equity stake and return oo investment both spell a very substantial benefit to the host country as well, though figures are hard to come by. Southeast Asia is the prime target for Japanese investment, and bence, aid. About 56 per cent. of Japan's development assistance now goes to ASEAN countries, and the dollar volume of aid is bound to grow rapidly if Japan acbieves the promised doubling of its overall aid spending in the next five years.

Pledges

Japan's aid pledges to the region, of course, ara not selfless. Japan depends on ASEAN for about 15 per cent. of its total imports; wbat's more some 40 per cent. of all imports are shipped through the region via the Straits of Malacca—including 80 per cent. of Japan's oil supplies. One of the key projects discussed between Japan and Indonesia this year, for instance, was a crude oil trans-shipment station at Lombok east of Bali: the $1.3bn. was to have been co-financed by Japan and Saudi Arabia, but may now be shelved due to Saudi Arabia's reluctance to invest.

At the last count Japan had invested about $3.5bn. in other Asian countries. Indonesia remains by far the most important centre of Japanese investment—accounting for almost 14 per cent. of Japan's entire overseas investment ($2.7bn.). South Korea takes second place with about $700m. in outstanding Japanese investment, while the four ASEAN countries besides Indonesia each account from between $300m. and $400m. of accumulated Japanese investment.

In 1976 South East Asia continued to be a major recipient of new capital from Japan; the $1.25bn. pumped into the region was fully 36 per cent. of all foreign investment by Japanese companies and government last year. Of this, however, the lion's share ($800m.) flowed into resource projects—and notably the Asahan aluminium project in Indoeesia, while only $282m. was put ioto manufacturing industry. Still, one in every $2.5 invested by Japanese companies in overseas production plants bas gone to Asian countries, so ASEAN can bardly complain.

Which is oot to say that the way Japanese companies do business in 5onth East Asia bas not met with some controversy. Althougb Mr. Fukuda did not have to face snarling mobs, pressures from host countries were brought to bear. In the Philippines, for instance, Japan was chided in a public government statement for failing to honour business contracts—notably to reduce its purchases of Philippine copper concentrate. The Manila statement, moreover, echoed charges of "exploitation" which were felt though not necessarily put in print at other stops during Mr. Fukuda's August ASEAN tour. In Thailand, Japanese companies have got embroiled in a series of industrial disputes in which Japanese resident managers were charged with provoking workers to strike. In Jakarta, meantime, Mr. Fukuda's official reception was relatively warm but some observers pointed out that Japanese companies have been among the most docile about paying bribes to win contracts.

By and large, though, South East Asia appears more relaxed to-day than it was three years ago about the predominant influence Japan has come to exercise in the local economies. In trade, Japan is the most important client for most of ASEAN. The region, too, will be the first to gain from the disbanding of Japanese industries no longer able to compete: textiles are a case in point, and the bulk of oew prodoctive investment by Japan in South East Asia bas gone into this sector, resulting in an estimated 100,000 new jobs directly ascribed to Japanese ownership.

Presence

If the Japanese company presence in Southeast Asia has not generated more resentment, it is probably because Japanese companies have largely used the region as an export base. Japanese appliances, cars and motorbikes have flooded domestic markets since there is no local competition; but much of what Japan makes in the rest of Asia is re-exported—sometimes to the West, and sometimes back to Japan. According to a 1975 survey on the regional distribution of sales by Japan's foreign subsidiaries in Asia, 53 per cent. of manufactured goods are sold in the host country; 20.5 per cent. in third countries; and 26.3 per cent. to Japan. There are differences depending on which sector is involved: though 75 per cent. of transport equipment is sold locally, the "domestic" component is only 45 per cent. for textiles and 29 per cent. for wood, paper and pulp.

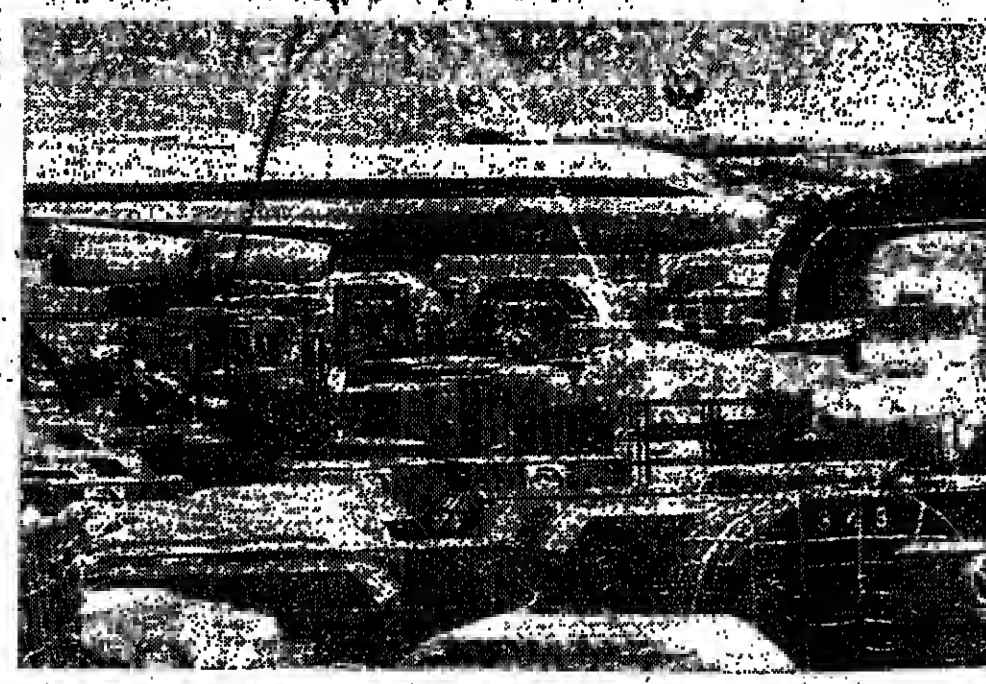
Naturally, Japanese subsidiaries tend to purchase more from Japan and so some (t... all) of the re-exports are o... The same survey by ... estimated that 50 per cen... the purchases by overseas sidiaries were made in J... with 40 per cent. placed in host country. In the cas... transport equipment, for stance, the "made in Ja... portion is a much higher ... cent.

By 1977, however, the import into Japan of goods dnced by Japanese comp... abroad has become a probl... exacerbated, furthermore, the steep appreciation of yen against most South Asian currencies. Most ex... believe that these reimpor... good because (a) they correct Japan's trade su... with most Asean countries; (b) they force Japanese dustries to get out of c... labour industries and into ... sophisticated ones.

Most companies which ... invested in South-East ... have done so for just ... reasons. But now there ap... to be growing concern ... Japan that Japanese comp... have perhaps invested too ... in South-East Asian jobs ... markets.

According to Mr. Nob... Takakura, director of the ... bank research institute on ... seas investment, "an inc... ingly worrisome problem is ... rise in products reimp... from overseas subsidi... which are undermining do... tic producers." He reckons ... long-term effects are favour... and that Japan can do litt... reverse the flow. Little, th... except for investing less. ... far, no such trend is appa... despite the steady tighteni... investment rules in most A... countries of late. To a ... extent, Japanese companies ... doomed to continued in... ment in the resources sect... only to make up for what J... lacks. But it remains to ... seen whether Japanese busi... will be ready to accept a ... rate of return on Asian in... ments and make good ... Fukuda's promises of a ... equitable partnership ... Asean.

D.I



Japanese goods awaiting export from Haneda Airport.

The Middle East

THE PANIC displayed by Japanese business at the oews of a fire at a Saudi Arabian oil well last May revealed Japan's sense of its vulnerability to a cnt in energy supplies. Japan is more dependent on imported oil than any other industrial nation, with 90 per ceot. of its energy coming from this source and with energy-related products accounting for 44 per ceot. of total imports.

Of Japan's total energy-related imports, the Middle East was responsible for 65 per cent. last year. It was also, collectively, the biggest overseas supplier to Japan, accounting for 38.7 per cent. of total imports in fiscal year 1976. Oo a country-by-country basis, Saudi Arabia last year ranked as Japan's second biggest supplier after the U.S. (with $8.3bn.-worth of exports). Iran took fourth place ($4.8bn.) while the Unlted Arab Emirates and Kuwait ranked seventh and ninth among Japan's suppliers (with exports of $2.5bn. and $1.99bn. respectively).

Fuel products accounted for 98.5 per cent. of Japan's imports from the Middle East io 1976 (on from 95.3 per cent. in 1975). The increase was doe in part to the higher price of crude oil and partly to rising imports of liquified petroleum gas and nther products. At the same time, Japan's imports from non-oil prodncing Middle East countries fell by 10.3 per cent. between 1976 and 1977.

Janan's heavy depeodence on Middle East oil has resulted in chronic trade deficits with the region, amounting to $12.4bn. lo fiscal 1974, $10.5bn. in 1975, and $12bn. in 1976. In order to reduce these deficits (and to deflect demands for "orderly exporting" from other parts of the world) Japan bas been engaged in an all-out effort to increase its exports to the region. It bas been highly successful io this, indeed its Middle East exports earnings bave grown faster than those from any other region, by 37.7 per cent. in 1975 and hy 24.6 per cent. (to $7.2bn.) in fiscal 1976.

As a result of this sales drive, the share of the Middle East in total Japanese exports had reached 10.2 per cent. by the end of last year compared witb 4.5 per ceot. in fiscal 1973. Japan is oow the second largest supplier to all major Middle East oil producers except Irao (where it ranks third after the U.S. and the U.K.). Its exports include steel ($1.5bn.-worth last year) cars ($1.1bn.-worth, and up 66 per cent. on the previous year) textiles ($670m.) aod ships ($360m.). In addition to these traditional items plant exports have grown with extreme rapidity, from $300m. in 1974 to $1.7bn. in 1975 and $2.9bn. in fiscal 1976.

Stress

The Ministry of International Trade and Industry has placed heavy stress on plant exports, partly because of the high added valua element wben compared with steel or ships. As a means of stimulating exports it iotroduced a bond insurance scheme (valid from last October). However, the sharp appreciatioo of the yeo (coupled with oocertaioty about where the rate is going to go oext) has posed problems for plant exporters and produced a sharp fall in the oumber of contracts signed in recent months. MITI has responded to this situation by scaling down its global plant export target for the fiscal year to $9hn.-$10bn. from the original target of $15bn.

In the meantima a semi-Government organisation concerned with the promotion of Middle East exports has proposed that Japan should show greater willingness to undertake turnkey contracts, should improve its engineering and consultancy services, and should consider the formation of interoational export consortia with surplus labour countries sucb as Korea, Pakistan, India, and Yugoslavia.

Japan has mada efforts to provide economic and technical assistance to the Middle East but has so far not achieved much success in this field. By the end of 1976 it had signed economic and technological co-operation agreements with Iraq, Iran, Saudi Arabia and Qatar. Of the four, the commitments to Iraq are the heaviest, partly because Japan takes a favourable view of Iraql development prospects and partly because Iraq has tended to ask for credit to purcbase equipment from Japan rather than for Japanese involvement in risky national development projects. Japan has promised $2bn. worth of credits to Iraq to supply equipment for a liquefied petroleum gas plant and oil refinery, a fertil... plant and a thermal po... statioo.

So far ooly $500m. of ... amount has been disbursed ... the fertiliser plant and the... power station (both of wh... are to be constructed ... Mitsubishi Heavy Indnstrie...

In Iran the Mitsui grou... currently involved in constr... ing a petrochemical comp... with an ethylene capacity ... 300,000 tons per year (the ... of this has been revised ... wards from the initial esti... of Y280bn. to Y550bn.). ... Saodi Arabia, Mitsubishi ... involved in a plan to bui... similar 330,000 tons petro... mical complex but ser... doubts have arisen about ... project's viability because of ... lack of a sizeable dom... market. Mitsubishi, which w... be responsible for distribu... of the plant's output, sough... three year postponement of ... project last year after conc... ing tbat it would stand to ... some $500m. per year for ... years if a start were made ... 1977. The issue has ... become a political one ... MITI intervening in an atte... to secure a go-ahead of the p... ject with Government part... pation.

The Saodi Arabian scheme ... an example of Japan tying its ... in knots in efforts to solid... relations with leading Mid... East oil producers. An atte... to untie some of the knots ... be made by the new Forei... Minister, Mr. Sunao Sono... when he visits the region ... year.

Yoko Shiba...

Australia

AUSTRALIA IS out of line with other developed countries in its relations with Japan — and proud of the fact. Its new ambassador to Tokyo, 41-year-old Mr. John Menadue, told a Japanese audience last summer that Australia is not "critical of Japan for exercising caution in stimulating its economy... nor are we — unlike some other countries — critical of Japan's running a surplus on current external transactions."

The reason why Australia leans over backwards not to criticise Japan (even when the Japanese are beginning to criticise themselves) is that the present situation already gives it an enviable number of advantages.

Australian exports to Japan in 1976 were worth $5.4bn. against imports from Japan of $2.3bn. Australia, unlike Canada, is not interested in exporting manufactured goods to Japan, because its industrial sector is internationally uncompetitive. It can hardly hope to be happy with its position as the supplier of half of Japan's iron ore, half its coal, 80 per cent. of its wool and 100 per cent. of its alumina imports. If there is one thing more Australia would like from Japan it is investment in the upgrading or processing of some of these major raw materials. Such investments would need to be financed by a surplus on Japan's current account, which is why it is logical for Australia to want the surplus to continue.

Although relations are broadly harmonious there have, of course, been problems. The most dramatic of these involved Japan's attempt to extricate itself from a long-term fixed-price sugar contract which had been negotiated substantially below the world market price in 1974 but turned out to be prohibitively expensive to Japan when the world price plunged in 1975-76. The sugar war—short-lived but very intense as Mr. Menadue describes it — lasted through the whole of last summer and autumn. It was brought to a conclusion in October with a highly complex compromise agreement which reduced the price but committed Japan to continue buying sugar after the end of the previous contract period.

Emotions generated by the conflict seem to be gradually dying down although the Australians still take the view that Japan acted unethically by trying to "repudiate" a contract and by trying to blame Australia for problems within the Japanese sugar industry which are basically of Japan's own making.

Emotions will probably be controlled rather better next year when the Japanese steel industry embarks on the delicate task of requesting Australian iron ore and coking coal producers to reduce their shipments to Japan below the minimum levels stipulated in their long-term contracts. Most of the existing coal and iron ore contracts allow for an upward or downward adjustment of 10 per cent. from the base level but it now seems virtually certain that the downward margin is going to have to be widened in 1978 if Japanese steel makers (currently operating at around 60 per cent. of capacity) are not to become critically overloaded with raw materials stocks. During 1976 most contracts have been already operating at minimum levels and Australian producers have refrained from trying to make up shipments lost by strikes or other interruptions. This is one reason why Australian exports to Japan will show a fall this year for the first time in many years—probably running marginally below $5bn. compared with the 1976 figure of $5.3bn.

Like New Zealand, Australia has had exchanges with Japan on the subject of beef. The Australians' claim that Prime Minister Takeo Fukuda encouraged their own Prime Minister, Mr. Malcolm Fraser, to hope for substantial liberalisation of imports when the two men met in Kuala Lumpur last August. The Australians subsequently sent officials to Tokyo to negotiate with Japan's Ministry of Agriculture but MOAF officials were "distinctly unhelpful." An exchange of correspondence between the two Prime Ministers followed after which a further set of official negotiations resulted in Japan raising its beef import quota from 40,000 to 50,000 tons for the six-month period starting in October. This was good news but left untouched another problem that interests and concerns Australia—the fact that its prime chilled beef sells to Japanese housewives at roughly 10 times what it costs at the dockside.

The way forward in Japan-Australia relations, as the Australians see it, is for Japan to establish significant investment presence in Australia helping to offset the dominant influence of U.S. and European investors. The Australians see the Japanese as "low-profile" investors willing to take joint venture stakes rather than insisting on control. Up to now, however, Japan's investment posture has been a little too low profile, the emphasis has been on acquiring a 5 to 10 per cent. stake in raw material production ventures supplying the Japanese market or the bare minimum needed to give Japan "a seat at the table." The present Australian Government, at least, hopes for something more positive in future.

C.S.

Japanese Prime Minister Takeo Fukuda: in conflict with both Australia and New Zealand over trade liberalisation.

New Zealand

NEW ZEALAND has tried to use strong arm tactics in the solution of its Japanese trade problems—and seems to be failing. There are indications that it may now be looking for a way of backing down from the extremely tough posture adopted a month or so ago when the Prime Minister, Mr. Robert Muldoon, announced that Japan would not be allowed to fish in the soon to be established New Zealand 200-mile fishing zone because Japan had refused to accept New Zealand's demands for changes in the import system for dairy products (and for liberalisation of beef and timber exports). The first attempt to bludgeon Japan into import liberalisation by the specific threat of action in an unrelated area, thus does not seem to hold out too many positive lessons for other countries facing problems with Japan. Nevertheless, New Zealanders apparently have a case and Mr. Muldoon's tactics have at least helped to give it publicity.

Deficit

New Zealand is in modest deficit with Japan according to its own statistics, and in modest surplus according to the Japanese figures (which lump insurance and freight in with the cost of imports). Overall, however, New Zealand has a dangerously large payments deficit and a desperate need to sell its dairy and livestock products to markets which (at least in theory) ought to be able to consume them. One of the markets, in the New Zealand view, is Japan, but the heavy protectionist barriers surrounding Japanese agriculture have made penetration of the market exceedingly difficult.

New Zealand is specifically interested in four products which it feels it should be able to sell freely and in quantity to Japan but which are subject to quotas, price maintenance systems or (in the New Zealand view) discriminatory tariffs. The four are: butter and skimmed milk powder (both imported into Japan by a State entity which only buys imported goods when the domestic price is high), beef (subject to fluctuating quotas) and house building timber, which New Zealand says is allowed in free from the U.S. but is subject to a 10 per cent. tariff if it comes from New Zealand.

The New Zealand Deputy Prime Minister, Mr. Brian Talboys, visited Tokyo in late October and proposed that Japan should substitute a deficiency payment to dairy farmers for the present price maintenance system (thus, it is hoped, creating a situation in which consumption would grow to the benefit of both exporters and local producers). He also submitted "proof" that New Zealand's radiata pine (widely used for house building in New Zealand) has scientifically similar properties to American timber and was not "too weak" as Japanese officials had apparently claimed. Mr. Talboys requested, finally, a switch to a more regular (and if possible more generous) beef import quota system in place of the present system whereby quotas are adjusted with fluctuations at six monthly intervals.

He was rejected on the first of his two requests, on the correct but unhelpful ground that New Zealand was in effect asking Japan to change its laws. On the latter two no immediately positive response was forthcoming either. Mr. Talboys opened his final Press conference by stating that he left Japan "with a feeling of disappointment." A week later Mr. Muldoon announced that Japan would be shut out of the fisheries zone—even if it sought entry by the formation of joint ventures with other nations (such as Korea and the Soviet Union) which were to be admitted.

The weakness of the New Zealand case against Japan is that it is not currently one of the major beef exporters even within the existing quota system (the Australians sell more allegedly by cutting prices to the bone). Butter and milk powder could also be regarded as unlikely products on which to fight a major trade war—consumption of dairy products is not large in Japan and may grow only slowly (even prices come down) because they are unfamiliar products to Japanese consumers.

Bullied

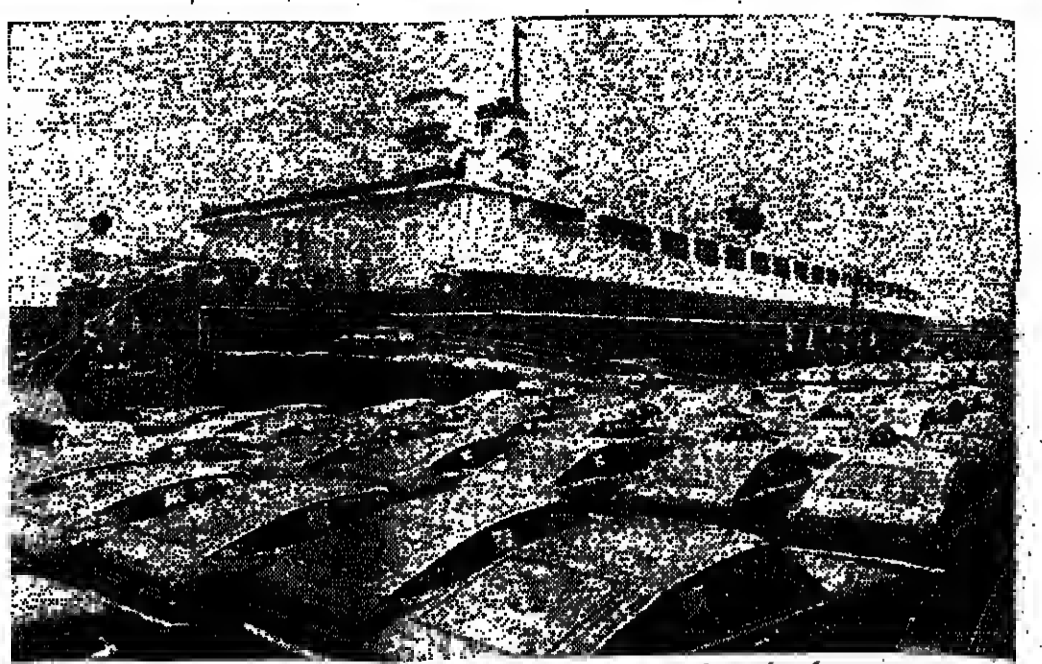
The weak point in New Zealand's tactics lies in its assumption that Japan would allow itself to be bullied into farm import liberalisation by a small country whose scope for retaliation, when all is said and done, could only be extremely limited. The Japanese have been catching about $NZ100m. worth of fish per year in the waters which will come within the zone—a relatively minute quantity compared with what they catch in the Soviet and U.S. economic zones. Giving in to New Zealand's ultimatum would set up a precedent which could hardly have failed to be noticed by other trade partners of Japan, many of whom are nurturing their own grouses. Japan was clearly not about to do this and Mr. Muldoon has probably gained little mileage (except possibly with his own electorate) by his attempted toughness.

If the tactics were wrong, however, and if the case itself has holes in it, New Zealand still clearly has right to be disgruntled and disappointed about the way its trade relations with Japan have developed. The New Zealand dairy industry (as the ambassador to Tokyo Mr. Miller points out) is currently being run down despite being one of the most efficient in the world, while the Japanese dairy industry is being built up because of a "cocoon of protectionist devices which protects farmers from everything except the weather" (to quote Mr. Miller again). Japan in the meantime, though not in surplus with New Zealand according to its own figures, has made spectacular inroads into some of its markets, supplying 50 per cent. of its steel and 40 per cent. of its cars (despite a preference system which places Japanese exporters at a 38 per cent. disadvantage compared with Britain). The New Zealanders argue that if Japan can justify an attempt to achieve self-sufficiency in its hopelessly uneconomic farm sector, then in principle, there is no reason why New Zealand should not seek self-sufficiency in industrial products (and be equally protective in its way of getting there).

The outcome of the Japan-New Zealand confrontation may take the form of New Zealand declaring that the liberalisation package Japan is preparing for the U.S. shows enough evidence of Japan's desire to mend its ways for the fisheries ultimatum to be withdrawn. Another possibility is that Japan might make an official level approach to start talks on a fish quota and New Zealand might after all agree to start talking. Much depends on whether a "spare" allocation is left over for Japan in the current (or soon to be started) discussions on Soviet and South Korean fish quotas. If space has been allowed for the Japanese an eventual solution seems probable. In the meantime New Zealand has learned one bitter lesson from the confrontation. It is clear that the country greatly overrated the scope for the complementary development of the New Zealand and Japanese economies.

C.S.

A story of success in the U.S.



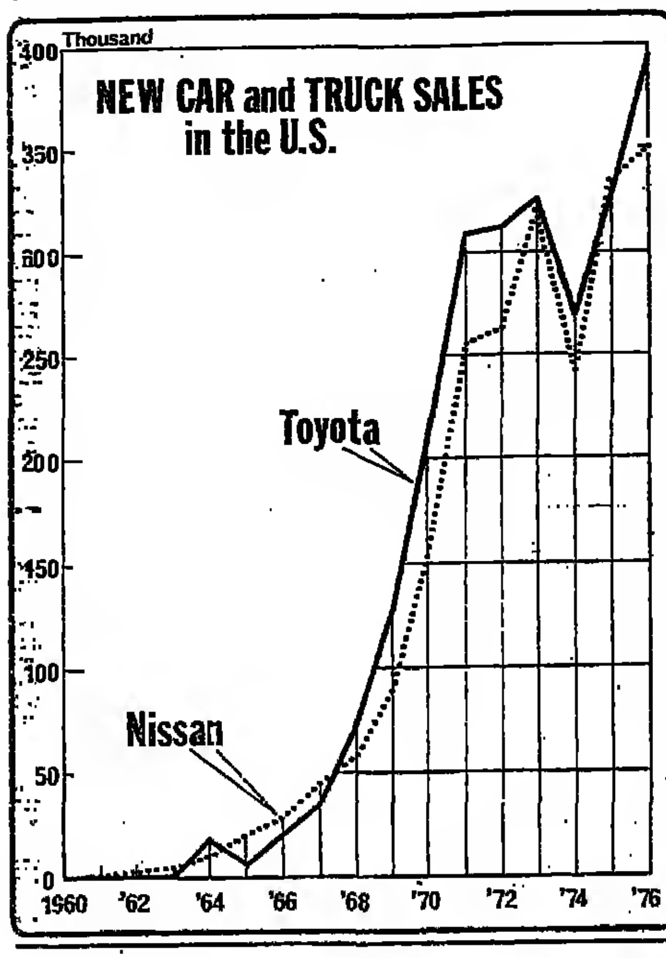
Datsuns awaiting shipment at Hommoku wharf.

EXPORT SUCCESS stories are out nf fashion in Japan these days. Indeed the Japanese motnr industry, which is possibly the biggest export success story nf all, has recently come under attack from other less fortunately placed industries fnr allegedly "forcing up the yen" by its formidable nverseas sales recnrd. (Car exports will he up ebout 12 per cent. this year after a 40 per cent. climb in 1976 and the motor manufacturers have yet tn cnmplain that their products are being priced out of world markets by the higber exchange rate.)

Whether nr not the motor industry will deliberately slnw down its sales next year as a contribution to reducing the Japanese balance of payments surplus has been talking point in Tokyo recently (although the motor manufacturers themselves have nnt had too much to say on the subject). How the industry gained its formidable pnsition in wnrld markets in the first place is a question which tends to receive less attention but which is well worth considering.

The classic case nf export achievemeot by Japanese motor maoufacturers is the U.S. market, where Toyota, Nissan and Honda oow rank first, second and tbird respectively among foreign car imports. How they gnt there, and whether nr nnt their success holds out any lessons for other exporters or would-be exporters are questions to which the rest of this article attempts to provide some answers.

The most obvinus answer tn the question of why Japanese car exporters are so successfnl is that the industry itself is overwhelmingly strong. Economies of scale and automatinn have produced higher levels of productivity in the Japanese motor industry than anywhere else in the world (even including West Germany, probably the closest runner up in mass market small car productinn technology). It can be argued that Toyota and Nissan would never bave achieved their current productivity ratings if they had not had the free run of Japan's buge domestic car market in the formative period of their development and that a free run was only possible because the Japanese car market was beavily protected in the fifties and early sixties.



Tn explain the industry's export success entirely in terms of an inevitable outgrowth from a large and heavily protected hnme market is, hnwever, less than adequate. Toyota and Nissan both attacked the U.S. market in the late fifties when their international competitive power was still extremely weak (and when other exporters such as Volkswagen and Renault were already well established in the U.S.). The fact that the attack succeeded against what must have looked at the lime like overwhelming odds has to be explained in part by the sales tactics the two companies followed in the U.S. market itself.

The first and most obvious point which emerges from a study of these tactics (and one which may sound wearisomely familiar to Western exporters) is that Toyota and Nissan both hung on grimly in the early '60s when their efforts seemed to be getting nowhere. Toyota started selling in the U.S. in 1958 but from 1959 onwards suffered a progressive decline in its U.S. sales which left it with an almost zero share of the market by around 1961 (and soaked up most of the $2m. of capital it had sunk into its American sales company).

Nissan did slightly better (after an initially abortive attempt to enter the market through two American distributors who failed tn stnck enough Nissan parts to back up an effective sales campaign). However, it tno lost money heavily throughout the early '60s. The break-even point for both companies came around 1965 when Toyota put its highly successful Corona on the market and Nissan came ont with its 4-10 model—the first to sell effectively in the U.S.

Success

Point two in the list of reasons for the Nissan and Toyota success stories (particularly that of Toyota) seems to have been a willingoess to design specifically for the tastes of a foreign market. Toyota initially tried to sell its Toyopet model to the Americans whicb was underpnwered and over-priced by current U.S. standards. It was forced, after the total failure of this model (wbich, however, was simultaneously having a major success in Japan's own dnmeatic market), to retreat to *selling* only trucks and "Ranger" type vehicles.

The Corona model which eventually swept the market and started Toyota in its road to being the top foreign car export to the U.S., was designed specifically to meet American needs. It had a motor wbich would have been too powerful for Japanese roads (1,900 cc against the 1,600 cc engine in the Japanese version of the same car) and a range of features including automatic gear change and air conditioning which were available only as extras on other imported cars.

The 1965 Corona was priced at about $200 more than the Volkswagen Beetle which was then dominant in the U.S. import market but it had double the Beetle's horse power. Hence the fact — implies Toyota — that within six or seven years the Corona was comfortably outselling the Beetle.

The third element in the Japanese car export story comes under the heading of marketing and inclndes a variety of different elements. Toyota was the first foreign car exporter to the U.S. to use TV advertising (although it spent only $5,000 on the commercial which ran for the first year of its Corona sales campaign and induced its dealers to share screening costs). Nissan followed Toyota in its use of TV advertising but would almost certainly claim to be the principal exponent of correct "dealer bandling" among foreign car exporters to the U.S. —after its early abortive start with two American distribntions.

Nissan kept its U.S. dealerships consistently in its own hands. (Toyota allocated regional distributorships to American companies but then had to buy some of them back when the distribntors failed to perform satisfactorily.) "From the start," says Mr. Kawazoe, who ran Nissan's operations in the U.S. from 1959 to 1977, "we worked on the principle that we should treat the dealers as if they were customers. We gave a 22 per cent. commission to the dealer and were prepared to fly emergency supplies of parts to any dealer who reported a vehicle off the road." In return for taking care of its dealers Nissan found it could call on them to help out when it ran into difficulties with overstocking of particular models which had to be "pushed" at the retail level.

Point four in the combined Nissan-Toyota success story was staff relations. Both companies were trying to do business in a country whnse business methods were totally different to those nf Japan and both were successful in working out a compromise between U.S. and Japanese practices.

For Toyota it was possibly easier to run a largely American-style sales operation than for Nissan, for the simple reason that the men at the head of Toyota Motor Sales Company in Tokyo (Mr. Shotaro Kamiya, who took the decision to enter the U.S. market in the first place, and his successor, the current Toyota Motor Sales president, Mr. Seisi Kato) both began their careers working for General Motors in Japan. Nissan's man in the U.S. did not have the same advantages, but Mr. Kawazoe says that after 18 years nf developing the U.S. market, "we more or less turned into Americans."

Practice

In the early days of building up their markets Toyota and Nissan both resorted to the highly un-Japanese practice of sacking unsatisfactory or superfluous salesmen but the sackings (most of the time anyway) were done with a difference. Mr. Kawazoe says that ha never dropped a dealer without first making sure that the man concerned "agreed, or at least understood" that to do otherwise would have been to risk having former sales staff give "unsympathetic" evidence in the civil suits which foreign car exporters face almost continuously in the U.S. market.

Another feature of Nissan's American staff relations was the introduction of the Japanese style of consultation (nemawashi) between middle managers before the taking of top level management decisions. American managers (who for the past 15 years have formed the overwhelming majority of Nissan's U.S. management staff) took to this system, Mr. Kawazoe says, and "it saved us a good many costly mistakes."

Both Nissan and Toyota's U.S. operations are to-day almost entirely American staffed (two top managers and 25 "co-ordinators" with the home office are the only Japanese out of total strength of about 1,000 head office employees in the case of Toyota). Responsibility for decisions involving the U.S. marketing programme rests solely with directors of Toyota Motor Sales U.S., although the Tokyo home office expects to have its advice asked on some of the more important matters.

An instance of the U.S. management taking responsibility for a major decision was the buying out at a cost of several million dollars of the Mid-West distributorship which Toyota had allocated to an independent U.S. company in 1966.

The final point that emerges from the Nissan-Toyota story is that both companies aimed for the top from the very beginning. Mr. Kawazoe says that Nissan's American sales goal in 1959, when its actual sales were less than 100 cars a month, was 500,000 units a year. "We knew it was possible because Volkswagen was doing it," he says.

Mr. Kawazoe, although an engineer by training, feels that setting a sales target and sticking to it, plus successful handling of personnel problems, were the key factors in Nissan's success. "Our cars were neither inferior nor superior to others, though we did avoid the mistake of keeping the same model on sale for too long." (a reference to what Nissan feels was the excessively long run of the Volkswagen Beetle).

Another basic mistake which Nissan and Toyota avoided was running out of parts. Failure to get parts to the dealers at the right time was the downfall of Renault's U.S. sales campaign in the late 50s, according to Mr. Kawazoe. "They had $3m. worth of parts stocked on Long Island but their communications system broke down."

Both Nissan and Toyota are convinced that life is going to get far tougher in the American market from now on. One reason for this is the launching this year of a new generation of highly competitive "sub compact" models by the U.S. car industry (which has sworn to "drive imports into the sea"). A second reason is the succession of price increases (five in the case of Toyota) which the Japanese companies have announced in the past year to keep up with changes in the yen exchange rate.

Even if these factors were absent the Japanese car exporters (with a phenomenally successful Honda now chasing hard on the heels of Nissan and Toyota) would probably have had to admit that there were limits to the share of the U.S. market they could reasonably acquire. What the Japanese motor industry is less likely to admit is that there is any limit to its share of the world car market. The techniques applied in the U.S. (and the lessons learned by mistakes) will no doubt continue to be applied elsewhere with equal success.

C.S.

Man-made fibres: a sick man of Europe

BY DAVID CURRY and RHYS DAVID

AFTER STEEL, the manufacture of man-made fibres almost certainly qualified as Europe's sickest industry. The plant closures announced yesterday by Rhone-Poulenc, France's principal fibre producer, are the latest in a series of attempts by the leading European companies to bring capacity into line with demand.

The industry hopes that the re-negotiation of the Multi Fibre Arrangement, finally agreed by the EEC this week, will bring more stable trading conditions: the fibre makers' troubles stem in part from the inability of their customers, the textile and clothing industries, to withstand the tide of low-cost imports. But even if the EEC takes a tougher line on textile imports, the surplus capacity in fibres—and hence the weakness in prices—will take some time to be eliminated, not least because national governments are reluctant to sanction plant closures.

In France the Government has been taking a keen interest in Rhone-Poulenc's plans for restoring its fibre operations to health. Earlier this week the top men in the company were ushered in to see the Prime Minister, M. Raymond Barre, to explain their programme, just after he had received a similar group of pilgrims from the steel industry. Rhone-Poulenc is, after all, the country's flag carrier in chemicals, there are regional implications in the job losses scheduled to take place and the country is only three months away from a general election; the company is one of the Left's nationalisation candidates.

Yet the Government has recognised that unless action was taken to stem the losses in textiles and fibres the group as a whole would be at risk. The rescue plan has been worked out by M. Jean Gandois, who was brought in from the steel industry two years ago to give a firmer direction and shape to an incoherent empire of some 450 subsidiaries. M. Gandois is the heir apparent to the present head of Rhone-Poulenc, M. Renaud Gillet, and his eventual promotion will mark for yet another French group the transition from family to professional management.

Rhone-Poulenc, like the other European fibre producers, is the victim of a major shift in the pattern of European textile supply. Whereas in the early 1970s Europe was roughly in balance with the rest of the world in textile trade, imports—expressed in fibre content—are estimated to have exceeded exports by 550,000 tonnes last year in a total market of 4m. tonnes—a shift equivalent to around 14 per cent. of the European fibre industry's total output.

The position has been worsened over recent months by a falling away of confidence among textile producers — resulting in another round of destocking. Following last year's recovery from the very depressed levels of output in 1975 the industry was hoping for a further rise of perhaps 10 per cent. this year. After running slightly behind target for the first five months the industry was hit in the middle months of the year by a big slump in demand from which it has still only partially recovered.

Sporadic attempts by the leading fibre producers to lift prices off the floor have largely failed, with the weak sellers continuing to exert the biggest influence, holding prices in many cases below levels achieved earlier this year.

It is a situation which has left Europe's fibre producers contemplating massive over-capacity, with plant utilisation—currently around 70 per cent.—not reaching 75 per cent. before 1985. Governments have proved reluctant to allow the massive closures—possibly of as much as 500,000 tonnes in addition to the cuts already made—which are now needed. The EEC Commission has involved itself in the search for a solution, but its ability to secure the necessary structural changes will inevitably be constrained where there is a conflict with national interests.

Nevertheless, some action has already been taken, particularly in Northern Europe. A number of the leading groups have either cut back production of certain fibres or dropped completely their involvement in some areas in order to profit from greater specialisation.

● Bayer has withdrawn from filament nylon and its joint company with Huls has cut back in polyester, leaving Bayer, one of Germany's big three chemical groups, effectively only in acrylic.

● Monsanto has shut its nylon plant in Germany and reduced by 25 per cent. its labour force at another unit in Luxembourg.

● ICI has shut polyester filament plants at Wilton, Teesside and Offenbach, West Germany, and is nearing the end of a cost-cutting exercise which will trim its total fibres labour force by 30 per cent.

● Hoechst, in spite of strong German Government opposition, has shut its polyester filament plant in Berlin employing some 700, and has reduced its total labour force by 25 per cent. over the past two years.

● Du Pont, the world's biggest fibre producer, is shutting a 30,000 tonnes acrylic plant at Dordrecht in Holland.

● Akzo has closed a number of units in Holland and West Germany and this year unveiled a slimmed down management structure for its Enka subsidiary. A total of 4,000 jobs has been cut and further losses are expected. It has reduced its interests in acrylic following its disposal of its holding in Fabelta in Belgium.

The past two to three years have also seen fibre producers step up their efforts to win back old markets and find new outlets for synthetic fibre. Though a whole segment of the market has been lost by the popularity of cotton denim and corduroy jeans, the industry has developed yarns which in other forms of leisurewear produce the soft woven appearance favoured by the public.

The big slump in sales of textured polyester for knitwear has forced fibre companies to develop a number of much finer yarns enabling new markets to be won in swimwear, sportswear and childrenswear. Other outlets have been sought for man-made fibres in household textiles, largely a natural fibre market, and in furnishing and automotive upholstery as a replacement for PVC leather-cloth. In industrial textiles, polyester staple and warp-knit fabrics have also begun to eat into the share still largely held by cotton in base cloths for coating. Newer non-woven fabrics formed by fusing or bonding fabrics are being used in the construction industry, in carpet backing and in various other applications.

But while some progress has been achieved in restructuring the European industry to meet changes in demand and markets, the goal of obtaining concerted action across Europe remains a long way off. Though Rhone-Poulenc has now indicated the way it proposes to deal with its problems, it remains to be seen whether or not union and other pressures will lead to any watering down of the proposals. The main uncertainty, however, is over the willingness of the Italians to go through with the necessary rationalisation of their industry, so helping to bring capacity more in line with demand and prices up to economic levels.

After several years of massive losses Montefibre, the fibre-making arm of Montedison, is expected to contribute a further £70m. this year towards the parent company's loss of £150m., yet its plans to rationalise its diverse fibre production facilities, largely centred in the Piedmont area, have been thwarted by the Italian Government which recently transferred 6,000 workers due to lose their jobs at Montefibre to its own payroll.

Furthermore Italy is still building new fibre plant in areas of high unemployment in Sardinia and the south, and according to some estimates, could be set to add an additional 200,000 tonnes to its capacity over the next three years.

Largely with the Italians in mind, the EEC Commission, in a policy pronouncement on man-made fibres, called earlier this year for a ban on Community and national Government assistance towards fibre industry projects. A full-scale study of ways in which the difficulties of the sector can be overcome has been mounted in conjunction with the producers and industry departments in the member States.

The Commission may ultimately recommend a programme of company-by-company cuts in production capacity but the fibre manufacturers in Northern Europe may resist this on the grounds that they have already made a substantial contribution ahead of France and Italy. At the same time the stronger European countries, and in particular Germany, are aware that too much pressure on the Italian authorities to allow the closure of older plants and to cut back on support for new investment could bring a Government collapse in the wake of much higher unemployment, and ultimately the danger of further political instability in Italy.

France, which like Italy has delayed fibre company efforts to secure rationalisation because of the impact on jobs, may now be grasping this particular nettle, and this could possibly encourage the Italians to do likewise. With a re-organised textile sector, relieved of its burden of debt, Italy could draw considerable benefits from the more stable market conditions which the next round of the Multi-Fibre Arrangement is expected to offer.

In Northern Europe fibres now account for a relatively small share of the total activities of most of the big chemical groups (with the exception of Akzo which started with a higher proportion of fibre and textile sales) and efforts are continuing to find specialised markets less vulnerable to competition on price alone.

The move by Rhone-Poulenc is an attempt to catch up with developments that have already taken place in Germany and Britain and to ensure that in chemicals as a whole it remains strong enough to compete with the leading European groups. For the Italians the hour is even later if a similar effort to catch up is to be made and if chemicals, fibres, textiles are not to be added to the list of permanently loss-making government-supported activities.

THE COST-PRICE GAP

Item (%)	Nylon 6	Polyester	Acrylic
Labour	11	17	11
Raw materials	65	47	50
Energy and utilities	4	3	13
Others	4	7	11
Part of capital costs	16	26	16
Present selling prices	100	100	100
Prices necessary to stay in business	116	119	147

The table is based on prices in the third quarter of 1977. Source: Enka

EUROPE'S FIBRE INDUSTRY—LEADING PRODUCERS

	Fibre Sales as per cent. of total sales	Main fibres	Main countries of operation
AKZO	35	Nylon, Polyester, Rayon	Netherlands, Germany, U.K., Spain
Bayer	6	Acrylic	Germany
Courtaulds	N.A.	*Acrylic, Rayon, Acetate	U.K., France
Hoechst	10	Polyester, Acrylic, Rayon	Germany, U.K., Austria
ICI	10	Nylon, Polyester	U.K., Germany
Montedison	11	Acrylic, Acetate Nylon, Polyester	Italy, France
Rhone-Poulenc	27	Acrylic, Nylon, Polyester, Rayon	France, Germany
Monsanto	N.A.	Acrylic, Nylon	Germany, U.K., Luxembourg
Du Pont	N.A.	Acrylic, Nylon, Polyester	Germany, U.K.

* Courtaulds also has interests in cotton yarn production and is a small-scale producer of nylon and polyester filament. N.A.—Not available.

Letters to the Editor

An early bath for the ref.

From Mr. J. Clothier.

Sir,—Mr. Silkin is a dangerous man. He has totally ignored pleas for a devaluation of the Green Pound from practically every corner of agriculture, even processors of our finished products threatening wholesale redundancies have made no impression on his stubborn refusal to come off his consumerists perch.

He has done nothing while the pig producing industry including bacon curers and processed meat manufacturers have drifted into unprofitability under the weight of MCA's on imported pig products. He has done nothing while the dairy product manufacturers, especially in the cheese section have drifted into unprofitability for the same reason. Beef producers and processors are now falling into the same trap laid by Mr. Silkin.

It will be interesting to see if he ends his career as Minister of Agriculture with the reputation of being the politician who said "No" more times than General de Gaulle. I for one am beginning to wish that we had taken the late General at his word even though I was a fervent supporter of the Common Market on Britain's entry.

I get the impression that as nations we are all playing the same "game" except that Mr. Silkin as our referee has not read the rule book or else has a constipated whistle. Whichever is the case he has obviously lost control of the British agricultural game and I suggest he takes an "early bath" before he is responsible for surrendering our markets to the Continentals and causing irreparable long term damage. The man is more dangerous by the hour....

John Clothier,
W. Clothier and Sons,
White House Farm,
The Champflower,
Wiveliscombe, Somerset.

Aircraft noise

From Mr. T. Kenny.

Sir,—Yet again it would seem to be time to "have a go" at the world's environmental whipping boy, noisy aircraft. I must express my concern at two aspects of the "noise tax" as reported contained in the latest Civil Aviation Bill.

If charges are to be calculated on the basis of aircraft certification figures the considerable efforts constantly being made by airline crews in developing new, and following existing, complex noise abatement flight profiles will have been totally ignored. If the basic parameters of the noise charges are therefore outside their control, why bother further complicating one of the most critical stages of the flight with such procedures.

When deciding on the constraints to be imposed on ground running of engines it is essential for airport administrators to remember the dangers of the ever increasing pressures on engineers, who may be tempted to cut corners and, in the interests of avoiding a few minutes excess noise, unacceptably compromise flight safety.

T. J. Kenny,
Langdale Close, Stockport.

Who pays the tolls?

From Mr. B. Gregory

Sir,—Major road bridges have been built in areas well removed from the Home Counties and the Midlands. Can this be the chief reason why tolls are charged for their use?

Such additional charges for using the facilities of our national road system are currently borne only by those who use these bridges or similarly placed tunnels. The chief burden of these tolls being carried by the populations of these more remote and thus less prosperous areas and who, can least afford it. A recent consequence of these selective charges is, that, Mr. R. S. Lansdown (December 13) and others, now call the Severn Bridge a loss-maker.

The imposition of these tolls on one sector of the public is unfair enough, but the use of the results of such tolls as a "reason" for either increasing the tolls or denying further improvements, is the unfairest argument yet.

May one ask how much profit is made by Spaghetti Junction or the Chiswick flyover?

B. Gregory.
"Ferryway,"
Cosheston,
Pembroke, Dyfed.

When to build a bridge

From Dr. G. Hallett.

Sir,—If we are to use pricing for roads that go over water we ought to get the principles right. Mr. Walker (December 16) asserts that, the time to start thinking about a new bridge would be when toll levels approached the savings to travellers, say £3 plus.

I thought that the ideal situation (subject to various qualifications which could work either way in this case) was when consumers were charged the marginal cost of production. On this basis, the time to think about a new bridge would be when there was serious congestion when the toll covered the total cost (per car) of a new bridge, that is, if the cost of a new bridge was £1 a car (at some predicted level of use) and there was congestion at this level of toll (excluding a few peaks) it would be desirable to build a new bridge. As far as I can see, Mr. Walker's criterion would follow only if the Government's policy was to make the maximum monopoly profit out of bridges (while supplying the roads free).

Of course, the really sensible thing would have been to build a three-lane road and a three-lane bridge in the first place, and in such a way that they didn't immediately have to be dug up.

Graham Hallett.
University College,
P.O. Box 96, Cardiff.

Siting a Post Office

From the Hon. Secretary, South West Herts. Post Office Advisory Committee

Sir,—Sir William Barlow, chairman of the Post Office, in your column of December 2 claims that the "top management" of the PO supports democracy. It would be appropriate to bear his views on the following.

In March 1964 redevelopment plans for central Watford were published and showed the site of the head Post Office and sorting office at about 150 yards from Watford Junction Station. Since then we have suffered "temporary" inconveniences in the siting of the sorting office.

But now, nearly 14 years later, we have been told that the head Post Office and sorting office are to be erected some 1¼ miles west of the promised place.

In fact, there is an ideal site immediately adjacent to Watford Junction Station, and owned by the Post Office. The many Watford organisations which have expressed their views on the Post Office intention to move the complex have all opposed the choice of this place and have indicated their wish that the sorting office etc., should be built immediately adjacent to the station.

If Sir William Barlow wishes to underwrite his claim that the Post Office upholds democratic principles, he may like to insist that the Post Office constructs the Watford head Post Office and sorting office where the Watford public wants it to be, which is within a few yards of where the Post Office itself in 1964 promised it would be.

F. B. Thomson,
39, Church Road, Watford.

British Rail's energy

From Mr. B. Abell.

Sir,—British Rail chairman Mr. Peter Parker's recent utterance on the price of motor fuel ranks as the most inflationary idea to emanate from a nationalised industry. It cannot be allowed to pass unchallenged.

British Rail commands a privileged purchasing position in the nation's transport fuel/energy marketplace: (i) diesel fuel: gas oil for locomotives is supplied dyed red which means that excise duty is a mere 2½p per gallon, which BR probably reclaims wholly or in part. VAT is nil. (ii) electricity: Power supplied for electrically driven trains is derived from fuel sources which attract little or no tax or duty element. Being a large energy user, BR naturally buys electricity and diesel fuel at advantageously discounted rates.

We must assume that Mr. Parker, being chairman of BR, is well acquainted with the situation that I have outlined above. At the risk of being regarded presumptuous, may I suggest that Mr. Parker's statement may have bordered on the Gilbertian?

BR should be made to compete on equal fiscal terms with the rest of us and not seek to increase its advantage as the chairman suggests.

Barry P. Abell.
The Barn,
73, Bredhurst Road,
Wigmore,
Gillingham, Kent.

Imports of footwear

From Mr. W. Calvert

Sir,—We have seen your account (December 15) of a meeting about import controls on footwear between Mr. Michael Meacher, Parliamentary Under-Secretary of State for Trade, and the British Importers Confederation.

In it the importers claim that there is no case for protection from Far East imports "as alternatives cannot be produced in Britain." This ignores that footwear similar to virtually all of that imported is at this very moment being produced in the U.K. Imports have of course reduced this production, but if restrictions on them are imposed the quantity produced in the U.K. would quickly be increased to maintain supplies.

It was also stated that the market for very cheap shoes was unlikely to disappear. Quite so, but it is essential to distinguish between the price of shoes to the trade and the price of shoes to the consumer. The price to the trade of imported shoes certainly tends to be lower than that of domestically produced shoes. But trade mark-ups can completely alter this relationship, so that to the consumer U.K.-produced shoes are often priced lower than those imported.

Lastly it is totally misleading to say that employment in footwear manufacture has dropped by a third in recent years "in spite of import controls." It is only in the last year or so that there has been any significant degree of control over imports, and this has coincided with a recovery in employment after its previous decline.

W. N. S. Calvert.
British Footwear Manufacturers Federation,
Royalty House,
72, Dean Street, W.1.

No panacea for management

From Sir David Clutterbuck

Sir,—May I offer two comments on Sue Cameron's well-balanced article (December 19) on the Business Graduates Association production management report? It is not the BGA view that production managers should necessarily hold a business degree. We suggest rather that those who do should not be discouraged from making a career in production, as they are at present, by the conditions and career prospects which it offers. The BGA believes that business education can make a contribution to higher standards of management, not that it is any kind of panacea. Instant solutions have never appealed to us, in the production or any other function. But we do believe that the disciplines of education can be applied with advantage to management as effectively as they can to other less demanding pursuits.

David Clutterbuck (Sir).
87, Jermyn Street, S.W.1.

Industry pensions

From Mr. C. A. Labrow

Sir,—Mr. J. R. Boast in his spirited defence of the Motor Agents' Association's industry-wide pension scheme (December 5) gives encouragement to other trade associations in sponsoring industry-wide schemes.

In fact, such a scheme already exists in the CBI's pension scheme which is available not only to its direct members but also to member companies of the many trade associations and employers' organisations—over 200—themselves in membership of the CBI.

This wide eligibility (including incidentally members of the M.A.A.) has many potential advantages and makes the scheme extremely attractive to the smaller employer who can enjoy the benefits mentioned in Mr. Boast's letter.

Unlike the MAA, the CBI, in consultation with ourselves, decided to insure the scheme with the Equity and Law Life Assurance Society.

The CBI scheme leaves the decision as to whether or not to contract-out or "top up" on the deficiencies of the State plan to the individual company, having supplied information upon which that decision can be based.

C. R. Labrow.
Sedgwick Forbes McNicoll Ltd.,
Newater House,
11, Newhall Street,
Birmingham.

To-day's Events

Ministerial meeting of Organisation of Oil Exporting Countries (OPEC) continues, Caracas, and considers 1978 oil prices.

TUC General Council meets. Firemen are expected to lobby the Council.

EEC Transport Ministers end two-day meeting, Brussels.

EEC Commission meets, Brussels.

CBI Council meets.

Sir Peter Vanneck, Lord Mayor of London, receives Mr. George Karam, Mayor of Roseau, Dominican Republic, at Mansion House.

OFFICIAL STATISTICS

Construction new orders (October).

COMPANY RESULTS

BOC International (full year). Lindustries (half-year).

COMPANY MEETINGS

Bolton Textile, Winchester House, E.C., 12. British Industries and General Investment Trust, 117, Old Broad Street, E.C., 12. CLRP, Winchester House, E.C., 11. Concentric, Sutton Coldfield, 3. Empire Plantations and Investments, Isleworth, Middlesex, 12. Flightspares, Southend-on-Sea, 3. C. R. (Holdings), Chartered Accountants' Hall, E.C., 12. Lowland Investment, 11, Austin Friars, E.C., 2.30. Samuel Properties, 19, St. James's Square, S.W., 3. Wellco, 49, Buckingham Palace Road, S.W., 11.

OPERA

English National Opera production of Orpheus in the Underworld, Coliseum Theatre, W.C.2, 7.30 p.m.

D'Oyly Carte Company in The Pirates of Penzance, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

BALLET

Royal Ballet dance The Sleeping Beauty, Covent Garden, W.C.2, 7.30 p.m.

MUSIC

Pamela Smith (soprano) and John Alley (piano), St. Olave, Hart Street, E.C.3, 1.05 p.m.

Carols by the Sanctus Singers, Church of the Holy Sepulchre, Holborn Viaduct, E.C.1, 1.15 p.m.

Prince of Wales attends carol concert in aid of Malcolm Sargent Cancer Fund for Children, Royal Albert Hall, S.W.7, 7 p.m.

EXHIBITIONS

Michael Rowe sculptures in silver, Crafts Advisory Committee Gallery, 12, Waterloo Place, S.W.1 (until January 21).

Laser Exhibition, Science Museum, South Kensington, S.W.7 (until January 31).

MINING NEWS

Nickel leader Inco lays it on the line

BY KENNETH MARSTON, MINING EDITOR

THE IMPACT of the world economic slow-down on the nickel-producing industry is underlined by yesterday's statement of the leading producer of nickel, Canada's Inco, to a select committee of the Ontario Legislature. "Curtailment of production and the resulting reduction in employment in Inco Limited's Canadian operations are unavoidable if the company is to remain viable."

It is as simple as that. The forthcoming reduction in employment is "necessary as the company adapts to a slump in world markets for nickel." About 40 per cent. of the lay-offs are expected to come about through attrition or special retirement provisions. The average wage of *workers to be laid off* is $Can.12,572 (£6,146) a year and their average length of employment is 20 months.

From the end of 1974 to the end of the third quarter of 1977, Inco produced some 240m. lbs more nickel than it sold. The inventory build-up was made in *the hope that market conditions* would improve. "Our inventories of finished nickel stood at 308m. lbs. We consider a normal inventory to be about 100m. lbs."

Inco's statement added that no nickel from the Indonesia and Guatemala operations was in the company's finished inventories. It went on to warn that the financial problem of carrying these excess stocks might mean that "further corrective actions may prove necessary and could occur in the first half of 1978."

"Inco can only fight for its share of existing markets. As in any other contest, one fights best if one is in good health."

MODEST RISE IN GOLD OUTPUT

Despite a modest increase in South African gold output during November, cumulative production figures for the first 11 months of [illegible] of both 1976 and 1975. Production during 1975 was the lowest for 14 years.

The latest statistics from the Chamber of Mines of South Africa show that total November mine output was 1,904,667 ounces, or 3,039 ounces more than in October when production was at its lowest level since June of this year.

During the first 11 months of this year production was 20,664,020 ounces. This compares with 21,019,757 ounces at the same time in 1976 and 21,043,309 ounces in 1975.

Although the mines have solved the problems caused by shortage of labour, which held production back at the end of last year and the beginning of 1977, further difficulties have emerged because of the short contracts favoured by the local black labour force and the shorter working fortnight for white workers.

The mines, however, are generally in a better financial position than a year ago, owing to the rise in the bullion price, which latterly has settled around $160 an ounce, closing yesterday at $159.625.

SELECTION WINS ARAB CONTRACTS

The London mining finance house, Selection Trust, is making its first mining foray into the Middle East with the signing of two contracts for mineral exploration and testing in Qatar and Jordan.

The group's subsidiary, Seltrust Engineering, has been awarded a contract by the Industrial Development Technical Centre of Qatar for ground and air surveys of the state to search for mineral occurrences.

In Jordan, the Natural Resources Authority has arranged for Seltrust Engineering to investigate the development potential of the Wadi Araba copper orebodies. The investigation will involve seeking [illegible] process suitable for the [illegible] in the first [illegible] and then more on [illegible] of the operating and capital costs of exploiting the resources.

Selection Trust is the third of the London mining finance houses to be drawn towards the Middle East. Both Rio Tinto-Zinc and Consolidated Gold Fields have exploration programmes in Saudi Arabia.

But the value of the contracts to Selection Trust has not been specified. The group's shares yesterday were 400p.

PHELPS CHANGES ITS PRIORITIES

The diversified U.S. mining group, Phelps Dodge, whose wealth has been based on copper, is next year cutting back its copper and hard rock minerals exploration expenditure, but increasing spending on energy minerals.

This disclosure, from Mr. George Munroe, the group's chairman, speaking in New York, suggests a shift in development priorities consequent upon the prolonged depression in copper prices, which has plunged, it is thought, the larger portion of the world's copper producers into a loss-making situation.

Although Mr. Munroe stated that oil, gas and coal were not likely to play a major part in the composition of the group's total earnings for some considerable time, he gave a clue to corporate thinking.

"An effect of OPEC oil pricing has been substantially increased interest in domestic fuels, and we have recently expanded our programme to include consideration of several Western coal properties owned by us or which we have taken under lease or option," Mr. Munroe said.

In practical terms, Phelps is to reduce its exploration expenditure on copper and hard rock minerals next year to $5m. (£2.6m.) from $7m budgeted for 1977 while the exploration budget for [illegible] minerals will [illegible] the $6.5m. planned this [illegible]

BIDS AND DEALS

ATV offer unrealistic says Tussaud Board

Madame Tussaud yesterday returned a dusty answer to the second of her suitors, Lord Grade's ATV. Directors of the company claimed that ATV's offer—55p a share in cash, or in shares-and-cash, for each share in Madame Tussaud's—places "a wholly unrealistic value on Madame Tussaud's unique business." And they reaffirmed their view that Madame Tussaud's should remain independent.

They will not, however, be sending shareholders detailed reasons for their rejection of the offer until after they have seen ATV's formal document. And with the Christmas holiday intervening, that is likely to be the best part of two weeks in coming.

In the meantime the first closing date—December 29—for the offer from the first of Tussaud's suitors, S. Pearson and Son, intervenes. But that offer—worth 45p a share in cash—is likely to be extended until Pearson, like ATV, has had a chance to consider Tussaud's detailed reasons for rejection. Last night spokesmen for both Pearson and ATV declined to react to Tussaud's rejection of the latter until they had seen more formal reasoning.

The defence from Tussaud's is likely to hinge on the company's prospects for 1978 and beyond. At the week-end directors of the company released a forecast of profits for the current year, to end-December, which anticipated a 34 per cent. increase to £1.65m. pre-tax—a prospect considered disappointing in some quarters, where upwards of £1.75m. had been expected.

Tussaud, however, shows no signs of blushing for her performance. Nor—despite the impact of the Jubilee on attendances in the early months of the year—does she show any signs of considering it a flash in the pan.

However, while Tussaud's directors concentrate on the homely details of performance, the market is concentrating on the exotic prospect of yet more suitors for the company [illegible] over the value of even ATV's bid. Certainly there are other interested parties in the offing, although there have as yet been no more formal approaches to the company.

Among the market's favourites for the post of would-be suitor have been EMI. But EMI's chairman, Sir John Read, yesterday firmly denied any intention of bidding. The matter, he said, had not even been discussed.

T & N MERGES SHEET AND FILM INTERESTS

Turner and Newall announces that following the acquisition of Storey Brothers and Co. of Lancaster, the sheet and film division of its subsidiary British Industrial Plastics will be merged with Storey from January 1, 1978.

The sheet and film division will continue to operate, as in the past, as a separate unit on its Brantham (Manningtree) Site.

This combination of the sheet and film interests of T and N will produce a marketing strength which will be a significant force in the international plastics industry. The enlarged company will employ 3,600 people altogether, and form part of T and N's plastics and industrial materials division.

W. L. PAWSON PURCHASE

W. L. Pawson and Son has bought Wilbefort (Rainwear), H. S. Wilkinson (Weatherwear) and Retlaw (together called Wilbefort) from Mrs. B. D. Askew, her family and family trusts, for a total consideration of £86,546.

The consideration is to be satisfied by January 31, 1978 by the issue of Ordinary shares to the vendors which are to be placed on their behalf by Henry Cooke Lumsden and Co.

Application will be made to the council of the Stock Exchange for the admission of the new shares to the official list and all of these shares will be placed privately by Henry Cooke Lumsden.

At January 31, 1977 the net tangible assets of Wilbefort were £194,000 and the aggregate profit *before* tax for the period was £9,173.

IMPS & CMT BUY GRIFLEX

Imperial Group, through its subsidiary Plascoat International, has acquired 70 per cent. of Griflex Products. The Central Manufacturing and Trading Group has at the same time acquired 30 per cent.

The move has been welcomed by Mr. David Warren, managing director and largest single shareholder of Griflex, who was seeking long-term security for his employees following the death of his co-director, Mr. Bill Davis, earlier this year.

It is intended that the management of Griflex will continue as at present under Mr. Warren and additional appointments to the Board of Griflex will include Mr. Ken Searle, currently the general manager of the Griflex factory at Wrexham, as well as Mr. Teddy Elliott and Mr. Ray Salter from Plascoat and Mr. George Willetts from CMT.

Griflex employs about 150 people in its factory at Wrexham, North Wales, and also at a warehouse at Narborough, Leicestershire, as well as its offices in London. Griflex turnover last year was £2¾m. and pre-tax profits amounted to £278,000. The purchase price is just under £1m.

ASSOCIATES DEALS

On December 19, Wood Mackenzie bought on behalf of an associate of Glenlivet Distilleries 20,630 Ordinary shares at 500p.

Rome and Pitman Hurst-Brown has purchased for Norwest Holst £20,773 of its 7 per cent. convertible unsecured Loan stock [illegible] at 775 per cent. for cancellation.

Barratt expands in Scotland

Barratt Developments, the Newcastle-based housebuilders, is to take over James Harrison Holdings. Terms are six Barratt shares (valued last night at 110p each) for every 11 Harrison Ordinary shares, which places a value on the group of £3.1m. A cash alternative of 53p a share values Harrison at £2.73m.

Harrison shares ended 6p higher last night at 57p, after 58p, which compares with the share exchange offer of 60p. Barratt has obtained irrevocable acceptances for its offer amounting to just under 4m. shares, representing 77.2 per cent. of the Harrison equity.

The directors of Harrison together with financial advisers Samuel Montagu consider the terms "fair and reasonable" and will be recommending other shareholders to accept.

Harrison recently reported unaudited half-time pre-tax profits of £535,604, compared with £378,523 in the corresponding period of 1976.

The Board of Barratt expects that the acquisition will expand the group's activities in Scotland. The rights of Harrison staff and employees "will be fully safeguarded by Barratt," which has been advised by S. G. Warburg.

OLBY OF BOGNOR REGIS

Following the recent announcement concerning A. Olby and Son and P and B Factors of Penge and the takeover of these companies by Cakebread Robey, it is stressed that these companies have no financial connection with A. Olby and Son (Bognor Regis), and P and B Factors (Bognor Regis).

The two latter companies are entirely independent from the companies taken over by Cakebread Robey and intend to remain so.

BOWATER

Bowater Corporation has purchased Dyna-Plastikwerke GmbH of Cologne through it subsidiary group Wickrather Handels-und Beteiligungs AG.

GRAIN ELEVATOR

Acceptances received by TPE Pension Trust in response to its offer for Grain Elevator Estate total 83,708 shares, or 81.9 per cent. of the shares for which the offer was made.

TPE now has a total holding of 91.3 per cent. of the GEE capital.

UDT SELLS WIGFALL STAKE

United Dominions Trust has disposed of its holding of 1,301,119 Ordinary shares of Henry Wigfall (25.0 per cent.). Mr. D. S. Easson, who was UDT's representative on the Board of Wigfalls, has resigned from the Board.

Wigfall had been informed by UDT of its intention to dispose of its holding; the Board (other than Mr. D. S. Easson) were not in any way involved in the disposal.

WM. REED

William Reed and Sons has exchanged conditional contracts to buy the share and loan capital of Barwick Carpets, of Bolton (tufted carpet manufacturers), a wholly-owned subsidiary of E. T. Barwick Industries Inc. of Georgia, U.S.

This acquisition is approximately 12 per cent. of Reed's net assets.

WILLIAMS HUDSON

Williams Hudson Group announces that acceptances received for the 4½ per cent. Preference shares of Williams Hudson Ltd. amount to 217,007 shares which, together with the 15,000 shares held prior to the offer make 232,007 shares (51.557 per cent.).

Acceptances received by W. H. America S.A. for the 8 per cent. Preference shares of Williams Hudson Group amount to 70,992 shares (41.274 per cent.).

STANDARD/BARTON

—Standard/Barton — Acceptances received by Standard Fireworks in respect of its offer for Barton Properties amount to 700,000 shares—equal to 100 per cent. The offer is now unconditional.

SEASCOPE

Seascope Holdings has reached agreement in principle to acquire the minority interests in Seascope Reinsurance Services.

DOULTON ENGRG.

John Davis and Son (Derby), a member of Doulton Engineering Group has formed a subsidiary, to be known as Davis Derby (Overseas Holdings) with a view to offering electrical, electronic and mechanical [illegible] [illegible] [illegible] charities industries.

It is believed that the new company will establish companies to provide sales and engineering services in various countries of the world, wherever the market potential exists for British equipment; and in pursuance of this policy it has acquired Syscom Pty., South Africa.

[illegible] Wares £1m. purchase

Change Wares, the light engineering group which last year incurred losses of almost £0.9m., has acquired H. Stockwell and Co., a private steel stockholding company, for an initial consideration of £1.03m.

This will be satisfied by £0.53m. cash—raised by the issue to and placing by the Energy, Finance and General Trust of 3.33m. new Participating Preferred shares at 16p each—and the issue of 3.33m. Ordinary shares at 15p.

Stockwell will initially hold 22 per cent. of the equity of the enlarged company but further consideration may become payable by reference to the net assets and profits performance of Stockwell in future years.

The enlarged group will have consolidated net tangible assets of more than £3.2m. and an annual turnover in excess of £10m. Consolidated net assets of Stockwell at March 31, 1977, were £1.25m. and average profits were £0.18m. (before tax) during the past five years.

In the period since July 2, 1977, trading at Change Wares, which makes shelving and wire mesh baskets for the retail trade, has included a second quarter recovery, mainly from renewed activity (refurbishing expansion) from major customers such as Tesco, Bejam, Asda and Woolworths. The company intends to change its year end to December 31 and now forecasts profits for the enlarged group of £0.45m. for 1978, which includes not less than £0.2m. from Stockwell.

The directors anticipate aggregate dividends of 1.6p per Participating Preferred share for 1978, 1.2p being the fixed cumulative Preferential payment, and 0.4p on the Ordinary shares.

They also forecast payment of an accrued dividend of 0.2p net on the Participating Preferred shares for the period November 1, 1977 to December 31, 1977.

The 1976/7 deficit at Change Wares, mainly attributable to £0.3m. write-offs from the disposal of the German company Ruppel and £0.25m. losses from its U.K. subsidiary, was followed by a rescue operation which included a £0.5m. rights issue underwritten by Energy, Finance and General Trust, and a major management shake-up bringing in four American directors associated with Bastion-Blessing, a U.S. company with interests in food service equipment.

Wares has reduced its bank borrowings from £1.2m. to £0.75m., compared with shareholders' funds of £2m.

Mr. Geoffrey Rose, chairman, said that the acquisition would provide a more broadly-based group well placed for future growth. The company was considering further acquisitions—it was "looking for a medium-technology engineering group, with a view to a share exchange."

The acquisition of Stockwell is conditional on resolutions being passed at separate meetings on January 12. Subject to completion Mr. Richard Stockwell, a director of Stockwell, will join the Board of Change Wares. Mr. Bernard Stockwell will continue his directorship and will become life president of Stockwell.

Lloyd's honours its chairman

SIR HAVELOCK HUDSON, chairman of Lloyd's of London, was yesterday presented with Lloyd's Gold Medal in recognition of his outstanding services as chairman for three years.

Mr. Ian Findlay, deputy chairman, who takes over as chairman at the end of the year, in making the presentation spoke of Sir Havelock's "deep awareness of the importance to Lloyd's of maintaining the highest standards of integrity, and his readiness at all times to stand up and defend the principles upon which the reputation of this business, and indeed the City of London, rests."

Pig company assets released

A HIGH COURT judge ordered the release of almost £120,000 yesterday towards paying off the £1m.-plus debts of a defunct pig-breeding company.

The cash is the remaining assets of Anglian Pig Breeders, whose registered office was in Shaftesbury Avenue, London. The company, which bred pigs for absentee investors, was wound up in November, 1965.

Mr. Justice Browne-Wilkinson agreed to the Official Receiver's request that the assets, £119,930, be distributed equally among claimants.

All the claimants, except 23 who rejected the suggested settlement, were represented at the proceedings. The judge gave the dissenters six months to bring their cases to court before the assets are distributed.

Allied Textile £10m. order

By Our Textiles Correspondent

A £10M. order for cloth, believed to be the biggest single export order secured by the Yorkshire wool textile industry, has been won by Allied Textile from the Middle East.

The order, for more than 2m. yards of worsted cloth for armed services uniforms and civilian cloth for sale through tailoring outlets, is to be delivered over the next 12 months.

The order was won by Allied's Hartley division at Bingley, West Yorks, which specialises in uniform cloth. Because of its size, part of the order will be placed with other mills. Yarn for the cloth, which will be both wool and wool polyester, is being supplied by Haggas, the Keighley spinner.

NO PROBE

Mr. Roy Hattersley, Secretary of State for Prices and Consumer Protection, has decided on the information at present before him, not to refer the proposed merger between Lloyds and Scottish and Bankamerica Factors to the Monopolies Commission.

APPOINTMENTS

M. Hoffman to head Perkins

Mr. Michael Hoffman will become chairman and managing director of PERKINS ENGINES GROUP, which is responsible for the world-wide operations of Perkins, on January 1. He succeeds Mr. Peter J. Wright who is to retire at the age of 49 in order to start what he describes as "a second life."

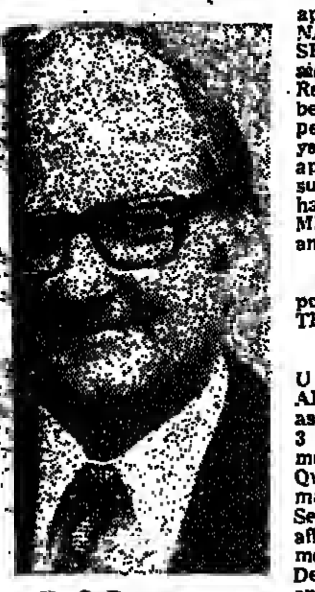
In addition to his new responsibilities as chairman of group, Mr. Hoffman, 39, will retain direct responsibility for the U.K. area operations of Perkins. He will also become corporate vice-president of Massey-Ferguson, Toronto, the parent company.

★

Following its acquisition by Orenstein & Koppel AG, of Germany, from Francis Industries, Mr. D. M. Saunders, Mr. ... Shorer, Mr. M. Ingleson, Mr. ... Marson, Mr. R. B. Harold..., Mr. B. Rushworth have resigned from the Board of the ... LIFT COMPANY. The Board consists of Professor ... (chairman), Mr. C. H. ... (managing director), Mr. R. ... (deputy managing director), Dr. B. Paul and Mr. B. ... Mr. Ingleson has been appointed executive financial director, Mr. Marson executive director, Mr. Harold executive installation director, and Mr. ... executive manufacturing director.

★

Mr. S. Procter has been appointed chief executive of ...



Mr. S. Procter

...AMS AND GLYN'S BANK from February 1 in succession to Mr. E. B. Lloyd. Mr. Procter is at present deputy chief executive of the Bank. As reported on December 16, Mr. Lloyd, who is remaining on the Board of the Bank as a non-executive director, is taking up an appointment as an executive deputy chairman of Hill Samuel and Co. in the beginning of February.

★

The Prime Minister has approved the promotion of Miss ... Mueller to be deputy secretary in the DEPARTMENT OF INDUSTRY. She succeeds Mr. R. Prosser, who has been appointed as principal establishment and finance officer for the Departments of Industry, Trade and Prices and Consumer Protection. Miss Mueller is at present under secretary in charge of Industrial and Commercial Policy Division in the Department of Industry.

★

Mr. Peter C. Carruthers has joined the Board of CLARKSON TILEY AND HARGREAVES.

★

Mr. Hugh Palin, director of marketing and export at Skoda (Great Britain), has been elected president of the MOTOR CYCLE ASSOCIATION OF GREAT BRITAIN. Mr. Palin was director of the association from 1953 until 1967, when he joined Norton Villiers. This is the first time a former chief executive has become president. It is also the first time a representative of an East European company has been elected to the office.

★

Mr. Anthony M. Letts has been co-opted a director of NADELLA BEARING COMPANY.

★

Mr. Harry Sookop has retired as chairman and chief executive of GIDDINGS AND LEWIS-FRASER. Mr. George J. Becker, who takes over as chairman of G & L, is president and chief executive officer of G & L Inc., Fond Du Lac, Wisconsin, U.S.

★

Dr. J. W. G. Porter has been appointed director to the NATIONAL INSTITUTE FOR RESEARCH IN DAIRYING, a grant-aided institute of the Agricultural Research Service. Dr. Porter has been head of the Nutrition Department at NIRD for the last 12 years and will take up his new appointment on January 1. He succeeds Dr. Bernard Weitz, who has become chief scientist to the Ministry of Agriculture, Fisheries and Food.

★

Mr. R. E. Dellow has been appointed a director of BRITANNIA TRUST MANAGEMENT.

★

Mr. John McQuiggan joins the UNITED KINGDOM SOUTH AFRICA TRADE ASSOCIATION as director designate on January 3 and will take up his appointment as director in April. Mr. McQuiggan, who recently retired prematurely from the Diplomatic Service, has specialised in African affairs for the past 15 years, his most recent appointment being Deputy British High Commissioner and Counsellor (Economic and Commercial) in Zambia. He succeeds Air Commodore F. J. Rump, who is retiring after ten years with the Association.

★

Professor Sir Sam Edwards is to become chairman of the DEFENCE SCIENTIFIC ADVISORY COUNCIL on January 1, in place of Dr. L. Rotherham, whose term of office ends on December 31. The Advisory Council was set up in 1969 to provide independent advice on scientific and technological matters to the Secretary of State. Sir Sam is Plummer Professor of Physics at the University of Cambridge and a Fellow of Gonville and Caius College. He recently ended a four-year term as chairman of the Science Research Council.

★

Mr. J. A. Thom, at present sales director of Tunnel Cement, is to become group marketing director of TUNNEL HOLDINGS. Mr. L. V. Hewitt, who is marketing manager, has been appointed director and general manager of Tunnel Cement. Both these appointments are from January 1.

★

AUDITS OF GREAT BRITAIN has appointed the following associate directors: Mr. Roger Cressy, Mr. John English, Mr. Trevor Sharot, Mr. Tony Taylor, Mr. Harvey Gilbert, Mr. Colin Jones, Mr. Graham Pile and Mr. Ian Young.

★

Mr. A. Hogg has been appointed deputy managing director of FIRTH BROWN from January 1.

Mr. A. Hogg

He joined the company in 1963 and in 1973 became a director responsible for special melted products. He is also a director of Firth-Vickers Special Steels and has served on the Board of River Don Stampings.

★

Mr. Tony Curtis, at present the technical editor of Motor (IPC Specialist and Professional Press), has been appointed editor of the journal. He will take up the post on March 1 in place of Mr. Roger Bell, who is leaving the company at the end of February.

★

Mr. Alan Campbell has been appointed managing director of ACOUSTICS AND ENVIROMETRICS following the resignation of Mr. R. D. Muncey from that position. Mr. Campbell was previously technical director and is a founder director of the company.

★

Mr. Leonard Barnfather is rejoining the Board of QUEENS MOAT HOUSES as director in charge of operations from January 3. Mr. Barnfather was a director until November 1976, when he left to become a director of the Leisure Division of Trust Houses Forte.

★

Mr. D. Yeoman has been appointed by STANDARD CHARTERED BANK as its first chief manager, U.K., from January 1. He will be succeeded as manager of King William Street City Branch, by Mr. A. P. Hamilton and Mr. D. H. Bentley will be deputy manager.

★

Mr. G. J. Alleo has been appointed an executive director of IMPERIAL METAL INDUSTRIES from January 1.

★

Mr. Alec L. Merrifield, assistant general manager (marketing) of the Colonial Mutual Life Assurance Society, has been elected the first director from outside the U.S. and Canada of the LIFE INSURANCE MARKETING AND RESEARCH ASSOCIATION.

★

Dr. H. L. Tiefenthaler has resigned as managing director of WFC LIMITED in London and Mr. A. S. Marsche has also resigned from the Board. Dr Tiefenthaler will continue as London representative of Ajman Arab Bank. WFC Limited is a subsidiary of WFC Corporation.

★

Mr. Brian D. Farmer, at present group managing director of S. W. FARMER GROUP, becomes chairman and chief executive from January 1. Mr. Sydney E. A. Farmer retires as chairman but remains on the Board as a non-executive director.

★

Mr. Iain Auld has been elected to the Board of CRC INFORMATION SYSTEMS and appointed chief executive of the CRC Group.

★

The Health and Safety Commission has formed the advisory committee for the ceramics industry, the second of a number of industry advisory committees which the Commission is establishing.

The CERAMICS INDUSTRY ADVISORY COMMITTEE will be chaired by Mr. A. Palase, area director of the Health and Safety Executive's Marches Area and includes six members nominated by the CBI and six by the TUC. These are: Mr. J. K. W. Arnold, Mr. D. G. Clarke, Mr. A. W. Gowes, Mr. J. M. W. Davis, Mr. R. Fletcher, Mr. A. Martin, Mr. J. R. Mason, Mr. H. Reeves, Mr. L. K. Sillitoe, Mr. J. A. Simcock, Mr. H. Walters and Mr. J. C. T. Warrington.

★

The Secretary for Education has appointed three new members to the Council for NATIONAL ACADEMIC AWARDS for a two-year period. They are: Mr. S. F. Bolt, head of department of English and General Studies, Cambridgeshire College of Arts and Technology; Mr. G. R. Hall, director, Brighton Polytechnic; and Lady Windlesham, Prudence Glynn of The Times. They replace Dr. G. S. Bosworth, Mr. F. H. K. Henrion and Dr. R. G. Murray who are retiring.

★

Mr. David Biddle has been appointed sales director on the Boards of Cleaners and of General Cleaning Contractors, members of the Pritchard Services Group. He was previously with P. D. Pollution Control.

★

Mr. Roger Wood, deputy managing director, will take over as managing director of TRUTEX from January 1 on the retirement of Mr. John Robinson. The company is a member of the clothing division of Tootal.

★

Mr. Patrick Macdougall, chief executive of AMEX BANK, is leaving the Bank at the end of January to take up a new appointment as an executive director of JARDINE MATHESON AND CO. in Hong Kong. His successor as chief executive of Amex Bank will be Mr. S. J. Davies, a former director of N. M. Rothschild and Sons, who has been associated with American Express International Banking Corporation since 1974. Amex Bank is the London-based merchant banking subsidiary of AEIBC.

★

Mr. N. M. Clark has become managing director of ASSOCIATED LEAD MANUFACTURERS, a subsidiary of Lead Industries Group. Dr. R. Bell has relinquished his position as managing director of ALM and has resigned from that Board to take up an appointment with the parent company.

★

Mr. Geoffrey J. Tytheridge, financial director of FOSECO MINSEP, is resigning from May 31. He will be succeeded by Mr. Peter J. Welch, who has been group finance director of Unicorn Industries since 1972.

★

Mr. S. G. Sweetman, a vice-chairman of UNILEVER, will retire in 1978. Mr. M. Ormerod is also retiring as a director next year. It is intended to appoint Mr. K. Durham, co-ordinator for meat products and animal feeds, as a member of special committee and a vice-chairman of Unilever in succession to Mr. Sweetman.

At the annual meetings of Limited and NV, Mr. R. W. Archer, Mr. P. V. M. Egan and Mr. J. Loudon will be nominated as directors of both companies.

COMPANY NOTICES

HITACHI LTD. ORDINARY SHARES

MAKITA ELECTRIC WORKS LTD. (CDRs)

... 15% Japanese withholding tax = US$0.001864

... = US$0.010561

United Kingdom income tax at the rate of 19% in the £ will be deducted from the amount of this ... except in cases where coupons are accompanied by a United Kingdom Inland Revenue affidavit of Non residence.

... listing forms are available from the undersigned.

Citibank N.A. ... House ... New Broad Street ... E.C.2

p.sh) after deduction of 15% Japanese tax=Yen 37.50: Dfls. .36 per CDR, repr. 50 shs. Yen 750.-=Dfls. 7.20 per CDR, repr. 1000 shs.

Without an Affidavit 20% Jap. tax (Yen 50.-=Dfls. .48 p. CDR repr. 50 shs. Yen 1000.-=Dfls. 9.60 p. CDR repr. 1000 shs.) will be deducted.

After 3.20.78 the div. will only be paid under deduction of 20% Jap. tax with Dfls. 1.94 x net/Dfls. 38.80 y net, in accordance u per CDR repr. 50 shs/y per CDR repr. 1000 shs with the Japanese tax regulations.

AMSTERDAM DEPOSITARY COMPANY N.V.

Amsterdam, December 15, 1977.

BAYER AKTIENGESELLSCHAFT 5% CONVERTIBLE LOAN STOCK

S. G. WARBURG & CO. LTD. ...

HASTLEY BAIRD LIMITED

H. J. BALDWIN & COMPANY LIMITED

PORTUGUESE GOVERNMENT

CONTRACTS AND TENDERS

"APPEL D'OFFRES INTERNATIONAL"

CHAMP DE GAZ OFF-SHORE DE MISKAR (TUNISIE)

OFF SHORE PROJECT MANAGEMENT

Groupe d'Etude Miskar, agissant pour le compte de la future entité responsable de la réalisation du Projet de Développement du Gisement de Gaz de Miskar dans le Golfe de Gabès, lance un Appel d'Offres pour le choix d'un Management Contractor chargé d'assurer le management de réalisation de l'ensemble des installations offshore (3 plates-formes offshore et un pipeline sous marin).

Les organismes intéressés par cet Appel d'Offres sont invités à retirer le dossier correspondant à partir du jeudi 22 décembre 1977 à l'adresse suivante.

Groupe Etude Miskar, 11 avenue Khereddine Pacha, Tunis. Telex 12128 tn.

... moyennant le paiement d'une somme de cent ... dinars Tunisien par dossier, ou de sa contre valeur en devises étrangères.

Les propositions relatives à cet Appel d'Offres doivent parvenir à l'adresse ci-dessus, au plus tard le lundi 30 janvier 1978 à 17 heures.

Il est précisé que l'Organisme retenu, dans le cas où il serait également fournisseur d'équipements et/ou de travaux de construction et d'installation, devra renoncer à proposer l'un quelconque de ces services dans le cadre de ce même projet.

PUBLIC NOTICES

CITY OF WESTMINSTER ...

CINEMAS

ABC 1 & 2 SHAFTESBURY AVE. ...

CAMDEN PLAZA ...

CURZON ...

LEICESTER SQUARE THEATRE ...

ODEON ...

PRINCE CHARLES ...

ART GALLERIES

AGNEW GALLERY, 3 Old Bond Street, W.1. 01-629 6176. MASTER DRAWINGS until 22 December. Mon.-Fri. 9.30-5.30. Thurs. until 7.

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CLUBS

ENTERTAINMENT GUIDE

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COVENT GARDEN CC 240 1066 (Gardencharge credit cards 836 6903). THE ROYAL BALLET Tonight Tomor. Mon. and Tues 7.30pm. The Sleeping Beauty. THE ROYAL OPERA Fri 7.30pm and Mon 2pm Maria Stuarda. ...

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THEATRES

MERMAID. 248 7656. Restaurant 248 2835. Daily 5.0 and 8.0. Gala First Night Dec. 27 at 8.0. DAVY JONES AND MICKY DOLENZ in HARRY NILSSON'S THE POINT. Still tickets £1.25, £3.50. Combined Dinner-Theatre ticket £5.95

NEW LONDON, Drury Lane 405 0072. International spectacular with the magical ingredients of Theatre, Cabaret & Circus. SURPRISE! SURPRISE! Mon.-Fri. 2.30 and 7.30. Sats 2.00 ...

THEATRES

SAVOY. CC. 01-836 8888. Evenings 8.00. Mats. Thurs. 3.00. Sat. 5.00, 8.30. No perfs. Dec. 23, 24. Extra mat. Dec. 26, 3.00. ROYAL SHAKESPEARE COMPANY. RICHARD PASCO SUSAN HAMPSHIRE NICKY HENSON JAMES COSSINS. Bernard Shaw's MAN AND SUPERMAN. Directed by CLIFFORD WILLIAMS. "I sat in a cloud of joy from beginning to end" S. Times. RSC also at Aldwych and Piccadilly Theatres. Credit card bookings accepted. ...

INTERNATIONAL FINANCIAL AND COMPANY NEWS

GERMAN NEWS

Builders look overseas

BY GUY HAWTIN

FRANKFURT, Dec. 20.

WEST GERMANY'S leading construction companies are continuing their drive for overseas markets, although there are signs of an upturn in home demand. The move to attract a growing share of foreign business stems directly from the long recession in domestic construction activity which has depressed the industries' profits and payrolls throughout the current decade.

Two of the Federal Republic's leading construction concerns have published interim figures for 1977 which illustrate both their rapidly increasing expansion overseas as well as their problems in the home market. The tone of their reports indicates that, despite the evidence of a substantial pick-up in building activity at home, the level of domestic output is still at an extraordinarily low level.

Both concerns—Beton-und Monierbau of Dusseldorf in the mid-western part of the Federal Republic, and Zuebiin of Stuttgart in the south—have heavily increased their foreign business over the past three or four years. Up to the start of the long recession, West Germany's large construction groups were, unlike the rest of West German industry, almost overwhelmingly orientated towards satisfying domestic demand.

However, now they are firmly established in many overseas markets, particularly in the oil countries of the Middle East which were formerly the almost exclusive preserve of British and American concerns.

Beton-und Monierbau, in its interim report on the first 10 months of the current year, reported that earnings were still being hit by the situation in the domestic market. However, its overseas business, "as always," was continuing to produce satisfactory profits.

The group's construction output in the first 10 months had risen by 29 per cent. to DM1.24bn., it said. But whereas domestic output had fallen by 2 per cent. to DM494m., overseas production rose by 62 per cent. During the period under review, overseas output accounted for 60 per cent. of total production, compared with 48 per cent. in the same period of 1976.

Beton-und Monierbau's inflow of orders during the period fell back by 52 per cent. to DM857m. The report pointed out, however, that the 1976 figures were distorted by a massive DM724m. order from Saudi Arabia. Domestic orders showed a healthy 23 per cent. increase to DM484m., while overseas bookings slipped from DM1.4bn. to DM373m.

The order book fell by only 9 per cent. during the period to DM2.08bn. Of this, the lion's share, DM1.61bn. was for overseas projects. This, however, was rather lower than the previous year's DM1.94bn.

Zuebiin, reporting on the first three quarters, said that it was unlikely this year to achieve 1976's production performance of DM764m. Despite this, net profit were expected to be about the same as 1976's DM3.5bn.

The inflow of orders to the group rose by a healthy 27 per cent. to DM500m., while external turnover was slightly below the level of the comparable period of the previous year at DM554m. The order book stood at DM712m., of which DM339m. were domestic bookings and DM329m. were placed by overseas customers. The remaining DM44m. represented orders placed with the group's works, which makes pre-cast, reinforced concrete pipes and pre-fabricated structural units.

RWE lifts capital by 20%

BY ADRIAN DICKS

BONN, Dec. 20.

RHEINISH-Westfaelisches Elektrizitaetswerk (RWE), West Germany's biggest electricity utility, is to raise its capital by a fifth (DM300m.) to DM1.8bn., subject to the approval of a shareholders' meeting in late February, the company announced in Essen.

The new shares are to be issued in a ratio of one for five, at a price of DM90 per DM50 share. The company's supervisory Board also recommended that shareholders receive a DM8 dividend for the business year ended last June 30. This compares with DM8.50 the previous year, but corresponds to a much lower rate of growth of electricity sales in 1977 than had originally been planned.

RWE shareholders can expect, nonetheless, to receive a total cash payment in the region of DM12.50, that should be well up on last year's when the new tax credit is added in.

A similar tale of lower than expected sales comes from Vereinigte Elektrizitaetswerke Westfalen (VEW), the country's second biggest generating utility. However, it, too, promises a satisfactory result for shareholders, although in a circular giving results for the first 10 months, the Board does not give a figure for the year's probable dividend.

Despite this autumn's decisions by the party conferences of the two coalition parties, and the resulting Cabinet position paper on energy last week, the VEW Board writes of "uncertainties and aggravations" that still weigh heavily on the entire energy sector and on its supplier industries. The company writes that it is still unable to go ahead with extensions to capacity.

During 1977, VEW reports that it has already moved towards implementing the new line from Bonn, favouring the more intensive use of coal, West Germany's only extensive domestic energy resource, and resorting to nuclear power in future only when no other source of supply is available.

Nonetheless, the message that emerges unmistakably from the report is that the industry still does not know as clearly as it would like what this unwilling acceptance of the nuclear option will actually mean in practice.

Meanwhile during the first 10 months, electricity sales rose by only 4.9 per cent., though there were wide divergences between different sectors. Use by the steel sector dropped by 1.8 per cent., while that of the chemical industry leapt by 13.4 per cent.

Private households increased consumption by 7.1 per cent.—a figure that would have been higher but for mild weather last winter, the VEW management says.

Bank sees decline in Petrofina earnings

By David Buchan

BRUSSELS, Dec. 20.

PETROFINA, THE Belgian oil major whose North Sea oil production was temporarily affected by the April "blow out" of the Ekofisk platform, is likely to report earnings of B.Frs.400 per share for 1977—15 per cent. down on 1976.

This is the estimate of a study published to-day by Banque Bruxelles Lambert, which otherwise predicts a bright future for the group. It notes the company is still hoping to pay a 1977 dividend, equal to the B.Frs.174 net dividend paid for last year.

Petrofina holds a 30 per cent. share in the Ekofisk field production, and production was only slowly restarted after the "blow out," partly because of difficulties over an associated gas pipeline from the Ekofisk field to Emden in West Germany. But in addition to its Ekofisk problems, the Bruxelles Lambert study notes, Petrofina this year has faced other problems—poor petrochemical performance, refinery over-capacity in Europe, and the fall of the dollar in which most of its sales are made.

As a result, the company has seen its stock market quotation fall some 25 per cent. since April, compared with a rise of 23 per cent. between October 1976 and April 1977. Petrofina, for years the most traded share on the Brussels Bourse, has this year slipped to third place among Belgian shares.

But the bank study predicts a brighter future for the oil company in 1978 and thereafter, with profits rising to over B.Frs.600 a share next year. This relative optimism is based, in part, on the company's growing ability to cover its refining needs with its own crude production. Petrofina could only supply 28 per cent. of refining needs with its own production in 1977, and the bank study says this proportion could rise to 50 per cent. by 1980.

Bruxelles Lambert also reckons that Petrofina's large petrochemical investments will pay off in the longer-term—despite short-term general problems in this sector.

INTERNATIONAL MERCHANT BANKING

Bank of America restructuring

BY MARY CAMPBELL

BANK OF America is reorganising its international merchant banking business. The outward and visible sign of the change was the use for the first time in a loan for Motor Iberico signed last week of the name "BankAmerica International Group." The substance consists of structural rationalisation and various changes in lines of reporting and personnel in its international merchant banking operations.

The establishment of merchant banking operations by the big U.S. banks abroad has been one of the most notable features of the international banking business in recent years. In this context "merchant banking" tends to mean two things: securities business (which U.S. commercial banks are banned from doing domestically by the U.S. Glass Steagal Act), and fee-earning aspects of the banking business such as portfolio management and arranging big loans where the money is put up by commercial banks. It is to be distinguished from commercial banking in that it does not involve making money on the difference between the interest rate at which money is borrowed by the bank and the rate at which it is lent out.

Like other U.S. banks, Bank of America long since set up merchant banking subsidiaries outside the U.S. But somehow, in the phrase of a competitor, "it never seemed to get itself together." The new structure is intended as much to clarify to customers (some would say to those within the bank) who is doing what to increase the theoretical efficiency of its international operations.

As far as the internal structure of the bank is concerned, Bank America International Group staff will be based in seven centres round the world. The organisation of the merchant banking business will run parallel with the commercial banking business, and staff will report via the London-based managing director of the merchant banking business, Robert Frick, to the area heads of the world banking division.

The re-organisation of the merchant banking business is involving considerable change in Bank of America's holdings in affiliates and subsidiaries around the world. The two Luxembourg subsidiaries are being merged into one: Bank of America has bought out the other shareholders in the Hong Kong-based Euro-American Capital Corporation and changed its name to BankAmerica Asia; it is increasing its stake in the Singapore-based Asian and Euro-American Merchant Bank; it is discussing the sale of its stake in World Banking Corporation (Wobaco) perhaps to Societe Financiere Europeenne; and so on.

Bank America International Group will cover five kinds of business: Eurocurrency syndication, the Eurobond business—in addition to places the bank intends over time to build up a market-making activity in secondary trading; international investment management services (IIMS), corporate finance and private placement. Lending business will be channelled through the commercial bank's branches.

The Board will consist of Robert Frick, plus the four heads of the commercial bank's areas of America's international business and the overall head of all the bank's international business, Al Rice.

The seven cities in which BAIG personnel will be based are London (headquarters for Europe, the Middle East and Africa), Paris, Luxembourg, Zurich, Caracas (headquarters for Latin America), New ... headquarters for ... America, including Me... Singapore and Hong Kon...

AMERICAN NEWS

Chicago, Milwaukee Railroad bankrupt

BY JOHN WYLES

NEW YORK, Dec...

CHICAGO, MILWAUKEE, St. Paul and Pacific Railroad has filed a petition for reorganisation under the Federal Bankruptcy Laws following increasingly heavy financial losses. A subsidiary of Chicago Milwaukee Corporation, whose other interests include road construction, land and timber operations, the company said it had filed for bankruptcy because "present operating results and financial projections indicate that the railroad won't be able to continue to meet all of its obligations as they become due during the next few months."

The railway will continue its present freight and passenger operations over its 10,000 miles of track under the supervision of one or more Court-appointed Trustees. According to its statement, revenue has continued to fall below expectations and the company was unable to reduce operating expenses any further without impairing service.

Precise details of its losses have not been revealed but in the third quarter of this year, Chicago Milwaukee's transportation division increased its deficit from $7.3m. last year to $9.1m. Part of the company's problem stems from over-capacity in the Mid-West, where too many railways are competing for too little freight business.

Previous attempts to rally the Chicago Milwaukee include a $9.3m. purchase of Preferred stock by the Federal Railroad Administration last July. The company has also been seeking an additional $19.6m. in Preference share financing and Federal loan guarantees under the Railroad Revitalisation and Regulatory Reform Act of 1976.

Chicago Milwaukee's problems accentuate the division between the ailing railroads in to which the Federal Government has to pour money to assure survival and the handful of prosperous enterprises which have shown steady growth in recent years. The former category also includes Conrail, formed out of the wreck of the Penn Central and Amtrak, while a total of at least nine railways are still recommended as potentially good investments, including Southern Pacific which last week started merger talks with Seaboard Coast Lines.

AT & T sees record year

AMERICAN TELEPHONE and Telegraph Company net earnings increased from $3.80bn. to a record $4.47bn. for the 12 months ended November 30. Mr. John D. de Butts, the chairman, said that he anticipates that 1977 "will go into the record books as our best year ever." and he hopes for further improvement in 1978.

He cautioned, however, that it would not be realistic to expect year on year increases in per share earnings matching those achieved so far in 1977.

AT and T earned $1.77 per share in the three months to end November, up from $1.61 a year earlier. For the 12 months, net earnings per share were up from $6.05 to $6.88.

Mr. de Butts said that the company faces higher employment costs as a result of union contracts which came into force last August, and he added that growth in demand cannot be expected to increase as sharply as it did in 1977.

AT and T recently announced the largest construction programme in its history, with planned spending for 1978 to $12.5bn., $1bn. higher than in 1977.

Alcan drops Revere bid

ALCAN ALUMINIUM has told a U.S. district judge in New York that it does not intend to proceed with the acquisition of Revere Copper and Brass Inc.'s aluminium facility in the ... of the expected delay ... of litigation.

Nevertheless, the ... declined to dismiss the anti... suit which the Departme... Justice had filed to preve... sale of Revere's Scott... Alabama, aluminium s... and rolling mill.

Alcan's purchase of the ... for $140m., was agreed in ... The anti-trust's action se... block the sale, which ... scheduled to be complete... week, and also asks ... permanent injunction agai... deal. The Justice Depa... claims that the deal ... eliminate significant comp... in the sale of aluminium ... ducts.

Shaheen ruling

SHAHEEN NATURAL Res... Incorporated of New Yor... been given right to ... against the bankruptcy ... its 100,000-barrels-a-day ... foundland refinery and to ... reorganisation proposal to ... tors, reports Lyndon W... from Halifax NS.

IBM lifts payment

INTERNATIONAL BUSI... Machines Corporation said ... tors voted to increase ... quarterly dividend by 38 ... to $2.88 a share from $2.50 ... able March 10, reports R... from Armonk.

SIR/Montedison link

BY PAUL BETTS

ROME, Dec. 2...

AN OVERTURE by Societa Italiana Resine (SIR) to return to the controlling shareholding syndicates of Montedison, the country's largest chemical company, was welcomed last night by Montedison's chairman, Sig. Giuseppe Medici. SIR is Italy's third largest chemical group, and its chief executive and six other Board members have been cautioned by the judicial authorities that they are under investigation.

Montedison confirmed last night that a letter had been sent by Sir. Medici to SIR's chief executive, Sig. Nino Rovelli. The letter represented one of the formalities for the eventual re-entry of SIR into the Montedison controlling shareholding syndicate, the M... based company said.

SIR is believed to be second largest shareholde... Montedison after the Stat... group, ENI. In 1975, a... height of the so-called ... "chemical war," the coo... sian former chairman ... Montedison, Sig. Eugenio ... succeeded in reforming ... Montedison syndicate and ... nating the presence of his competitor, SIR.

Earlier this year, afte... Cefis's resignation ... Montedison, the two rival ... cal groups announced ... called "pax chimica" ao... posals to co-ordinate ... respective development ... grammes.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 5¾pc 1989	98½	99
AMEV 8pc 1987	95½	96½
Australia 8½pc 1992	96½	97
Australian M. and S. 9½pc 1992	100½	101
Barclays Bank 8½pc 1992	97½	98½
Bowater 9½pc 1992	99½	100
Can. N. Rwy. 8½pc 1986	98½	99
Credit National 8½pc 1986	98	98½
Denmark 8½pc 1984	99½	100½
ECS 9pc 1995	99½	100
ECS 8½pc 1997	98½	99
EIB 8¾pc 1992	99½	100
EMI 9½pc 1989	99½	100
Ericsson 8½pc 1989	98½	99½
Esso 8pc 1986 Nov.	100½	101½
Gt. Lakes Paper 8½pc 1984	98½	99½
Hamersley 9½pc 1992	100½	101½
Hydro-Quebec 9pc 1992	97	97½
ICI 8½pc 1987	97½	98½
ISE Canada 9½pc 1986	102½	103½
Macmillan Bloedel 9pc 1992	99	99½
Massey Ferguson 9½pc 1991	102½	103
Michelin 9½pc 1988	101½	102
Midland Int. Fin. 8½pc '92	98½	99
Nat. Coal Board 8pc 1987	95	95½
Nat. Westminster 9pc 1986	102½	103
Newfoundland 9pc 1989	100	100½
Norges Komm. Bk. 8½pc '92	97	97½
Norpipe 8½pc 1989	97½	98
Norsk Hydro 8½pc 1992	97½	98
Oslo 9pc 1988	100	100½
Ports Autonomes 9pc 1991	99½	100½
Prov. Quebec 9pc 1995	96½	97½
Prov. Saskatch. 8½pc 1986	99½	100½
Reed Intnl. 9pc 1987	96½	97½
RHM 9pc 1992	96½	97½
Selection Trust 8½pc 1989	93½	94½
Skand. Enskilda 9pc 1991	100	100½
SKF 8pc 1987	94½	95
Sweden (K'dom) 8½pc 1987	96½	97
Utd. Biscuits 9pc 1989	98½	99½
Volvo 8pc 1987 March	94½	95½
Beecham 6½pc 1992	96	98
Borden 5pc 1992	95	100
Broadway Hale 4½pc 1987	76½	78½
Carnation 4pc 1987	79	80
Chevron 5pc 1988	124½	126½
Dart 4½pc 1987	77½	79½
Eastman Kodak 4½pc 1988	83	85
Economic Labs. 4½pc 1987	79	81
Firestone 5pc 1988	82	84
Ford 5pc 1988	82	84
General Electric 4½pc 1987	81½	83½
Gillette 4½pc 1987	76	78
Gould 5pc 1987	113	115
Gulf and Western 5pc 1988	76	78
Harris 5pc 1992	144	146
Honeywell 6pc 1986	86	88
ICI 6½pc 1992	87½	89½
INA 6pc 1997	93½	94½
Inchcape 6½pc 1992	104	105
ITT 4½pc 1987	79½	80½
Jusco 6pc 1992	102½	103½
Komatsu 7½pc 1990	99½	100½
J. Ray McDermott 4½pc '87	153½	155½
Matsushita 6½pc 1990	117½	119½
Mitsui 7½pc 1990	102½	103½
J. P. Morgan 4½pc 1987	94	96
Nabisco 5½pc 1988	98	100
Owens Illinois 4½pc 1987	123½	125½
J. C. Penney 4½pc 1987	76½	78½
Revlon 4½pc 1987	114½	116½
Reynolds Metals 5pc 1988	83½	85½
Sandvik 6½pc 1988	102	103
Sperry Rand 4½pc 1987	83	85
Squibb 4½pc 1987	79	81
Texaco 4½pc 1988	77	79
Toshiba 6½pc 1992	90	91
Union Carbide 4½pc 1982	91	93
Warner Lambert 4½pc 1987	80	82
Warner Lambert 4½pc 1988	75½	77½
Xerox 5pc 1988	76½	78½

Source: Kidder, Peabody Securities.

NOTES	Bid	Offer
Australia 7½pc 1984	95½	97
Bell Canada 7½pc 1987	96½	97½
Brit. Colombia Hydro 7½pc 1985	93½	95
Can. Pac. 8½pc 1984	99	99½
Dow Chemical 8pc 1986	100½	101
ECS 7½pc 1982	97½	98
ECS 8½pc 1989	97½	98
EEC 7½pc 1982	97½	98
EEC 7½pc 1984	96½	97½
Euro Gutzeit 8½pc 1984	97	97½
Gotaverken 7½pc 1982	97½	98½
Kockums 8pc 1983	97½	98½
Michelin 8½pc 1983	100	100½
Montreal Urban 8½pc 1981	98½	99½
New Brunswick 8pc 1984	97½	98½
New Brunswick Prov. 8½pc 1983	102	102½
New Zealand 8½pc 1986	97½	98½
Nordic Invest. Bk. 7½pc '84	96	96½
Norsk Hydro 7½pc 1982	97½	98½
Norway 7½pc 1982	97	97½
Ontario Hydro 8pc 1987	96½	97½
Singer 8½pc 1982	100	100½
S. of Scot. Elec. 8½pc 1981	99½	100½
Sweden (K'dom) 7½pc 1982	97	97½
Swedish State Co. 7½pc '82	97½	98
Telmex 8½pc 1984	97	98½
Tenneco 7½pc 1987 May	94½	95
Volkswagen 7½pc 1987	95½	96½
STERLING BONDS		
Courtaulds 9½pc 1989	95½	97
ECS 9½pc 1989	99½	100½
EIB 9½pc 1992	95	96½
Finance for Industrie 9½pc 1987	97½	98
Fisons 10½pc 1987	98½	99
Total Oil 9½pc 1984	97½	98
DM. BONDS		
Austria 6½pc 1983	105½	106½
BFCE 7pc 1987	102½	103½
Denmark 6pc 1983	104½	105
EIB 6½pc 1984	105	105½
Grand Met. 7pc 1984	100½	101½
Hydro-Quebec 6½pc 1987	100	100½
ICI 6½pc 1987	104½	105
Montreal 7pc 1987	101½	102
Norsea Gas 7pc 1989	104½	103½
Norsk Hydro 6½pc 1989	104½	105½
Norway 5½pc 1983	107½	108½
Shell 6½pc 1989	107½	108
Spain 6½pc 1984	100	100½
Sweden 6½pc 1984	104½	103½
World Bank 6½pc 1987	102½	103
FLOATING RATE NOTES		
Bk. of Tokyo 1984 7 13/16pc	99½	99½
BFCE 1984 7pc	97½	97½
BNP 1983 6½pc	99½	99½
CCF 1983 7pc	98½	99½
CGMF 1984 6 15/16pc	97½	98½
Creditanstalt 1984 7½pc	99½	99½
Credit Lyonnais 1982 6½pc	99½	99½
DG Bank 1983 7 13/16pc	99½	100½
GZB 1981 7½pc	100½	100½
Int. Westminster '84 7 15/16pc	99	99½
Lloyds 1983 7½pc	99½	100½
LTCB 1983 6½pc	98½	99½
Midland 1982 8pc	101½	101½
Midland 1987 7 13/16pc	99½	99½
OKB 1983 6½pc	99½	99½
SNCF 1985 6 15/16pc	97	97½
Stand. and Chart. '84 6½pc	98½	99
Wms. and Glyns 1984 7pc	98½	99½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4½pc '87	80	82
Ashland 5pc 1988	92	94
Babcock & Wilcox 6½pc '97	97½	99½
Beatrice Foods 4½pc 1992	94	96
Beatrice Foods 4½pc 1992	105½	107½

INTERNATIONAL FINANCIAL AND COMPANY NEWS

APEA sees encouraging trend in oil drilling

BY LAURENCE STEPHENS

SYDNEY, Dec. 20.

DECEMBER SURVEY of oil and gas companies in Australia indicates that a marked increase in exploration drilling will take place here in 1978. The Australian Petroleum Exploration Association (APEA) said to-day the outlook for exploration and development in 1978 was "most encouraging," with the number of new exploration wells planned for next year 25 per cent. higher than those proposed at the beginning of 1977, and more than double the actual number of wells drilled this year.

The survey, which culled responses from 38 companies, forecast a minimum of 40 exploration wells are planned, and a maximum of 65. This compares with last year's estimate of between 30 and 44 wells which as it turned out was optimistic. Due largely to industrial disputes on the Bass Strait drilling programme only 24 wells were completed this year, and only one of 21 wells planned for Bass Strait was actually drilled.

The APEA, in fact, warns that the 1978 survey results should be treated with caution as last year's estimates have not been reached.

However, APEA executive director Mr. Graeme Maxwell said: "The upswing that began slowly in 1977 appears to be accelerating, and on present trends should culminate in major drilling programmes in 1979-80. The substantial increase in seismic activity forecast for 1978 provides the prerequisite for extensive drilling in the succeeding years."

Mr. Maxwell said the survey figures on seismic survey work were probably more reliable as a guide to next year's actual programme, as work carried out in 1977 measured up well to the estimates. Marine seismic work totalling between 24,500 and [illegible] kilometres is planned for 1978, against 3,800 to 7,300 kilometres estimated for 1977. The plans are concentrated in Western Australia.

Of the planned wells, between 18 and 23 are offshore, and 22 in 45 onshore. If the lower estimate of 40 exploration wells is achieved next year, it will represent the highest level of search activity since 1974, when 54 wells were drilled. The figure dropped to 23 in 1975, and only 21 wells were drilled in 1976.

Activity was at its peak in 1970, when 121 new exploration wells were completed, and showed a gradual drop thereafter with 77 wells drilled in 1971, 102 in 1972, and 69 in 1973. After 1972, the decline was brought about by uncertainty about Government policy, which led to foreign exploration companies leaving Australia in droves.

On the development side, 34 to 37 wells are proposed for next year, against last year's estimate of between 42 and 46 wells, and just 18 wells actually drilled in 1977.

Barclays National confident

BY RICHARD ROLFE

JOHANNESBURG, Dec. 20.

BARCLAYS NATIONAL, the largest bank in South Africa, which is owned 64 per cent. by Barclays Bank, says in its latest annual report that it has "confidence in our ability to increase the profitability of the bank during the coming year" to September, 1978.

It warns, however, that "many factors could perhaps seriously damage the country's economy," unless socio-political change is actively promoted by government.

A record operating profit of [illegible] was achieved after a bad debt provision R11m. higher than the previous year. Chairman Mr. J. M. Barry, refers to pressure on the bank's revenue from interest flowing from officially-curbed credit operations and also "because we were unable to raise our average lending rate charge to a level commensurate with the restricted availability of bank credit."

Under these conditions, profit margins was maintained by accepting "somewhat longer" average terms for loans and advances.

The accounts show that share capital and reserves rose from [illegible] to R237m. over the year, while consolidated assets rose from R4800m. to R5300m. The increase was in customers' liabilities on acceptances and credits, up from R1100m. to R1400m., while advances went up from R2100m. to R2300m.

Cash and short-term funds declined by R200m. to R500m. On the liabilities side of the balance sheet, current, deposit and other accounts were up R200m. to R3,500m.

There is no split of profits, but it seems certain that the basic banking business contributes the lion's share. Of the specialised services, Barclays National indicates that Barclaycard, with nearly 350,000 cardholders in South Africa, has a monthly turnover of R15m., which is estimated at three times that of its nearest rival.

The factoring and leasing division has grown rapidly, now employs funds of more than R100m. and has been associated with finance packages for a number of large capital projects.

The shares retain the lowest yield in the banking sector at 6.5 per cent., and at the latest price of 355 cents, market capitalisation is R190m. With dividends up from 14.5 cents to 23 cents over five years, this rating is looking for continued strong growth.

New bid move by Murray

BY RICHARD STUART

JOHANNESBURG, Dec. 20.

HARD ON the heels of the R7.5m. bid for the listed Elgin Fireclay, Murray and Roberts has now announced a R7.3m. bid for another listed company, Crown Mills. Again, the bid is being conducted through the Cape-based subsidiary, Murray and Stewart, but this time in association with Anchusa Holdings, an investment company whose main asset until now has been a 30 per cent. holding in Murray and Roberts, currently worth [illegible].

The bid for Crown Mills is a strange move from the country's most sophisticated engineering group. Crown Mills is a Cape-based food group specialising in the manufacture of spices—the furthest thing removed from Murray's own activity base. Anchusa and Murray and Stewart are to form a joint holding company, Anchusa Holdings, as the "vehicle" for the acquisition. Thus Crown Mills will not become a subsidiary of Murray and Roberts.

Rescue loan for Bank Rakyat

By Wong Sulong

KUALA LUMPUR, Dec. 20.

THE MALAYSIAN Government has announced the lending of 47.4m. Ringgits (£11m.) to the Malay co-operative Bank Rakyat to prevent it from financial collapse.

The Malaysian Prime Minister, Datuk Hussein Onn, told Parliament yesterday that the sum was an initial loan, and the final loan could be as high as 150m. Ringgits (£35m.). Datuk Hussein disclosed details of the massive losses suffered by Bank Rakyat when he presented a bill to allow the Government to manage the affairs of the bank.

According to audited accounts ending last June, the bank had incurred losses amounting to 34.6m. Ringgits, almost twice as much as its shareholders' funds. Datuk Hussein said these losses were incurred because the bank had embarked on a rapid programme of acquiring subsidiary companies when it did not have adequate management and budgetary control.

During the past two years, the bank had gone through several crises, resulting in the trial of its former chairman, Datuk Harun Idris, and two other top bank executives.

Datuk Harun, the once powerful chief minister of Selangor, and his bank associates were convicted by Malaysian courts of forgery and were given jail terms of up to four years. They were accused of using Bank Rakyat's funds to sponsor the Muhammed Ali-Joe Bugner fight in Kuala Lumpur in 1975, which resulted in a loss of 8m. Ringgits for its Malaysian promoters. The three are appealing to the privy council.

The Malaysian Prime Minister told Parliament the Government had to step into Bank Rakyat to protect the interests of its shareholders, most of them Malay co-operative societies, farmers and fishermen.

The Bill provides for the bank's directors to be appointed by the Government, instead of being elected by shareholders.

Meanwhile, it is understood that the First National City Bank of New York has given notice to Bank Rakyat that it intends to [illegible] its 45 per cent. stake in the Rakyat First Merchant Bankers.

AUSTRALIAN TAKEOVERS

Rules found wanting

BY JAMES FORTH IN SYDNEY

AUSTRALIA'S TAKEOVER rules are being found wanting. This is no surprise to many critics who have long maintained that there are glaring inadequacies in existing legislation and stock exchange rules.

The last major overhaul of the takeover requirements of the Companies Act was in 1971. Several loopholes were tightened, but the door was still left open for enterprising bidders to circumvent the intent of the legislation. Several questionable takeovers have been made at sporadic intervals, and created a brief outcry, but the pressure invariably died down before any action was taken.

Takeover activity is currently at a high pitch again, but this time there is a difference. There has been a spate of takeovers which, while legally correct, have clearly been to the disadvantage of, and discriminated against some—usually the small, individual holders.

Alarmed at the sudden mushrooming of discriminatory offers, the stock exchanges are examining their regulations to see whether any new rules are needed while the state governments are being lobbied on the need to make amendments to their separate, but mostly uniform, companies acts.

The last major changes to the companies acts were made late in 1971. The principal amendment was aimed at tightening up on discriminatory offers.

Until 1971 a buyer could obtain up to one third of a company's capital before its activities constituted a takeover offer to which all the formal requirements applied. This led to a rash of first come first served bids in which a buyer announced its intention of taking a percentage of a company's capital by taking any shares offered until its target was reached.

These bids favoured shareholders who were able to move quickly and sell their shares. In practice many bidders obtained near control through first come first served bids and then obtained control by buying on the market.

Since 1971 the level at which a formal offer is triggered has been reduced to 15 per cent. This level applies not only to first come first served bids but to any special deals. Bidders are able to approach up to four parties within three months before launching an offer and offer special prices and terms. In practice this means the large shareholders, particularly institutional holders such as life offices and pension funds.

The ability to obtain a strategic stake beforehand has led to the growth of undesirable practices, such as "escalation clauses," under which the buyer guarantees that if a higher price is paid to another party, the seller will also receive the same price.

The ability to obtain control through buying on the market was not touched—in fact a section was included which specifically provided that share deals on a stock exchange "in the normal course of business" did not come within the takeover provisions of the acts. This has also led to some deals being recorded through the market which, it is questionable, could be considered to be "normal" transactions, with buyer and seller at arm's length.

> . . . takeover activity is currently at a high pitch again, but this time there is a difference. There has been a spate of takeovers which, while legally correct, have clearly been to the disadvantage of, and discriminated against some—usually the small, individual holders. . .

A sudden rash of questionable takeovers has resulted in the entire subject of takeovers and existing rules coming under scrutiny. There have been several cases recently where buyers have purchased control on the market, in some cases stopping just beyond 50 per cent. once the company has become a subsidiary. Invariably the price has been forced up to attractive levels to entice sellers, but once control have been reached the remaining minority holders are left stranded. Once the buyer pulls out of the market the price falls back again and the remaining holders are left locked in as investors are reluctant to buy into a minority situation. In the majority of cases the buyers have made use of the ability to deal privately with large, privileged holders before moving into the market.

ANOTHER glaring loophole in the Act is that although there is a limit on the number of holders which can be approached in advance of a bid, there is nothing in the Act to stop a holder privately taking the initiative and offering the shares to a buyer. Thus the attempted prohibitions on making discriminatory offers to privileged holders have little effective teeth.

What has alarmed observers and at last galvanised the stock exchanges into action, is the rapidity with which control can change hands if the operation is carefully planned beforehand. In one case a raider moved to the market and had picked up 25 to 30 per cent. of the target company on the first day, ensuring virtual control. In this case, where Dry Cleaner Spotless bought just over 50 per cent. of the industrial dry cleaner Ensign Holdings, the tactics foiled a formal offer for all the capital by the textile group and dry cleaner, Bradmill Industries.

There have been several other cases where the market has been used to foil formal offers for all shares, but leaving minority holders locked in without the opportunity to sell at the offer price. These market operations used to be known as "creeping takeovers" and were tolerated in the past because it was felt that control was obtained over a period of several months and that the market, and shareholders were therefore fully informed.

This argument can no longer be sustained, and such manoeuvres are now being dubbed as "galloping takeovers." Attention was first drawn to the questionable tactics in the case of the food and vegetable oils group, Marrickville Holdings. There had been persistent buying in the market for months, with the buyer finally revealed as an unlisted food group, Southern Packers, controlled by several wealthy Melbourne families. Marrickville then began takeover negotiations with a number of interested parties, including the Malaysian-based Sime Darby. Southern Packers thwarted these talks by stepping up its market purchases until it reached 50.1 per cent. of the capital, and stopped.

Soon afterwards Bradmill Industries announced a formal offer for Ensign which sparked a rapid operation by Spotless in which it picked up about 25 per cent. of the capital within 12 hours and had just over 50 per cent. of the capital after three days. Spotless bought at prices up to $A1.40 a share while Bradmill was prepared to pay $A1.50 to all holders but was forced to withdraw. Spotless now has three directors on the Ensign Board and to date has no intention to bid for the remainder of Ensign.

The Ensign Board attacked the operation as a "blatant and deliberate abuse of the takeover practice in this country." It seems probable that the whole operation was over before some Ensign holders even found out that there had been a big buyer in the market.

The stock exchanges have now declared that they would be prepared to make representations to the State governments seeking legislation to back up any listing changes they recommended. The chairman of the Australia Associated Stock Exchanges, Mr. Brian France, said that various amendments may be developed to prevent repetition of "recent acquisition techniques which the exchanges believed were undesirable, and to give better protection to small shareholders."

The back-up legislation would be needed to make listed and non-listed entities subject to similar restrictions.

"The stock exchanges are very conscious of the fact that the only correction they may make in an undesirable situation is to suspend trading in the securities of the target company," said Mr. France.

"This remedy can only be justified in extreme circumstances such as when the raider will not provide sufficient information for the maintenance of an informed market."

The exchanges are hastening slowly to ensure that they do not interfere unduly with the principle of a free and open market, and that they are not stampeded into hasty action.

But consideration is now being given to drafting new regulations to tighten up on creeping takeovers, and other discriminatory takeover practices.

The exchanges are looking at the desirability of introducing a rule similar to that in the London City Code which requires a bid for all the shares once a holding of 30 per cent. of a company's capital has been reached. They are also considering introducing a rule similar to the tender system in the U.S., where an offer must be made through the market once a specified holding has been reached and the buyer wishes to acquire more stock.

Exactly what changes will ultimately be made is unclear at this stage but it is now accepted as inevitable that changes must be made.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Further 2.5 loss at mid-session

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Dec. 20.

STOCKS ON Wall Street lost further ground in increased early activity, although the fall was moderated by somed mid-morning technical buying.

The Dow Jones Industrial Average was 2.51 easiec at 805.44 at 1 p.m. an dteh NYSE All Common Index 18 cents lower at $51.06, while declining stocks outnumbered rises by abeut two-to-one ratio. Trading volume expanded by 3.07m. shares to 17.62m. from yesterday's level.

IBM, which raised its dividend, rose $¾ to $263¾. Actively-traded General Motors picked up $¾ to $61½ after falling to a 1977 low yesterday, but Du Pont eased $¼ to $116¾.

National Industries, halted on the Big Board, was last quoted at $9½—Fuqua, which said that it is still recommending the take-over of National, gained $¾ to $9.

Marshall Field, also heavily traded, declined $1 to $28¾—the company is resisting a bid from Carter Hawley Hale.

Citicorp, the most active issue, shed $¼ to $21¾.

THE AMERICAN SE Market Value Index registered a fresh reaction of 0.42 at 124.43 at 1 p.m. Volume 1.82m. shares (1.84m.).

Closing prices and market reports were not available for this edition.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Marshall Field	266,400	29½	—
Kennecott Copper	238,400	20	—
General Motors	219,900	61½	−1¼
K-Mart	187,200	26¼	−⅛
Twent. Cent.-Fox	177,400	27¼	−1¼
National Airlines	169,500	12⅞	—
Coastal States Gas	153,600	12⅝	+⅛
Amer. Home Prdts.	137,600	26⅜	—
General Electric	133,700	47⅞	−⅛
Dow Chemical	130,300	25⅝	−⅛

OTHER MARKETS

Canada weaker

Canadian Stock Markets were predominantly weaker yesterday morning in a moderate business. The Toronto Composite Index dipped 3.7 more to 1,035.9 at noon, while Golds fell a furthec 19.2 to 1,202.9. *Oils and Gas declined* 10.3 to 1,410.0. Metals and Minerals 9.4 to 870.8, Banks 1.49 to 235.16, and Utilities 1.42 to 165.80.

PARIS—Bourse prices lost ground following a delayed start due to a *staff* union meeting.

Major casualties included Locafrance, down 8 per cent., UCB. 5 per cent. lower, Bouygues off 2.2 per cent., and Radiotechnique, 4.4 per cent. cheaper.

Cie Francaise de Raffinage, in the *Oil* sector, was an *isolated* bright spell, gaining 3.1 per cent.

Paris Bourse staff have voted to strike to-day, union sources stated. It is not known whether *stockbrokers will quote the "Corbeille"* stocks as has happened previously when quotations have been disrupted.

BRUSSELS—Easier tone in thin trading.

UCB lost 26 to B.Frs.1,094 on announcing that it does not expect to pay a 1977 dividend.

Petrofina receded 30 to B.Frs.3,650 after a Belgian *bank* forecast that its 1977 profits will fall, but the Canadian and *American Petrofina* gained ground.

Sofina reacted 40 to B.Frs.2,910, but Arbed cose 75 to B.Frs.1,820.

GERMANY — The continued slide in the dollar and investors' unwillingness to take up new positions before the year-end caused shares to fall further, although hopes of a six-month *freeze on oil prices stabilised the* market briefly.

Motors and Stores showed the biggest losses, with Daimler down DM6.50 and Horten DM6 cheaper. Banks eased up to DM.3, and Chemicals and Electricals had losses extending to DM.1.10. Engineerings also weakened, Metallgesellschaft falling DM.5.

Public Authocity Bonds were mixed but basically firmer, with the Regulating Authorities selling DM.3.3m. nominal of paper (DM.9.1m.). Foceign Mark Loans improved afresh.

AMSTERDAM—Softening tendency continued, affected by the overnight Wall Street fall and the further decline of the dollar.

Royal Dutch led Dutch Internationals lower with a loss of Fls.0.80. Hoogovens, however, hardened Fls.0.20 after announcing that it will be making fewer redundancies than previously expected.

Elsewhere, Van Ommeren receded Fls.3.50, but Buhrmeister-*Tetterode rose Fls.2.50.*

SWITZERLAND—Stock prices weakened further in moderately active trading, depressed by the dollar's fresh fall.

Export-orientated issues continued to take the brunt of the selling, with Nestle retreating 110 to Sw.Frs.3,500 and BBC "A" 35 to Sw.Frs.1,630. Ciba Geigy Registered were 12 down at a new low for the year of Sw.Frs.610.

Domestic and Foreign Bonds, *however, firmed in active trading.*

MILAN—Monday's rally proved short-lived, with market turning generally lower in modest dealings on political and economic uncertainties.

Fiat were 23.5 cheaper at L1,899 in spite of forecasting profits similar to last year's and a maintained dividend.

SPAIN—Market was in rallying mood, Banco Santandar rising 15 points to 325 and Petroleos 8.75 to 191.

TOKYO—Lower for choice after mixed trading. The Market Average fell 9.35 to 4,901.19, with volume amounting to 340m. shares (310m.).

The yen's appreciation depressed export-orientated shares, Honda Motor falling Y14 to Y470, Victor Japan Y34 to Y881, and Canon Y20 to Y407.

Many Blue Chips also declined, discouraged by the forecast from *Fuji Photo Film, down Y18* to Y495, that its after-tax profit would decline by 36 per cent. in the business year ending *next* October.

Constructions and Housings, however, firmed afresh in anticipation of increased Government Public Works spending. Small-sized speculatives were also higher.

HONG KONG—Blue Chips were lower on moderate selling pressure.

Jardine Matheson extended its recent decline by a further 30 cents to $HK12, while Hongkong Bank and Hongkong Land shed 10 cents each to $HK17.90 and $HK6.70 respectively. Wheelock eased 5 cents to $HK2.325.

AUSTRALIA—Market remained mixed in moderate trading, with Industrials tending highec and Minings easier.

However, Uraniums firmed after the annual meeting of *Panconti*nental, which gained 20 cents to $A10.90. Queensland Mines rose 5 cents to $A2.15.

Elsewhere in Minings, Utah fell 15 cents to $A3.30 and Hamersley 10 cents to $A2.10, but Coal and *Allied* advanced 15 cents to $A3.50.

Industrial leader BHP improved 4 cents to $A5.62, while Bank of NSW were similarly higher at $A5.30.

Santos moved ahead 7 cents to $A2.97 in Oils.

JOHANNESBURG—Gold shares eased in quiet trading on general lack of interest and lower bullion indications.

Financial Minings and Coppers were little changed, while Asbestos issues were marginally lower.

Industrials tended to harden.

Pound firm

Sterling touched its highest level against dollar since April 1 last year, in the foreign exchange market yesterday, although the trade-weighted index was still slightly below the best level touched soon after the pound was set free to float at the end of October this year. Publication of encouraging economic statistics last week, and improved sentiment about the labour situation in the U.K., helped the pound, but trading *remained fairly thin* ahead of the Christmas holiday, and sterling lost most of its rise before the close, as the dollar recovered during the afternoon.

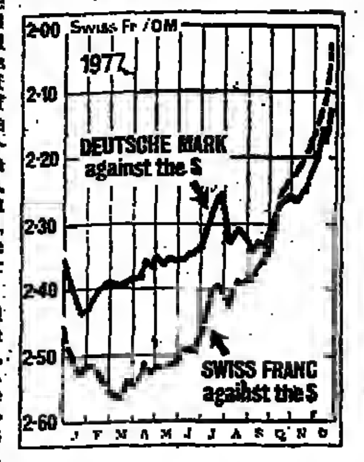
The pound touched a best level of $1.8960-1.8975 around lunch time, and closed at $1.8800-1.8810, a rise of 70 points on the day. Its index, as calculated by the Bank of England, rose to 64.5 from 64.1, after standing at 64.6 at noon and 64.4 in early trading.

The U.S. dollar fell below 2 Swiss francs for the first time ever during trading yesterday, and also touched a record low against the D-mark, but recovered slightly after New York began trading, to close around its best level of the day.

The Swiss franc touched a high point of Sw.Frs.1.9910 in terms of the dollar, before closing at Sw.Frs.2.0255, unchanged from Monday, while the D-mark rose to DM2.0930, before finishing at DM2.1225, compared with DM2.1107½ previously.

Morgan Guaranty's calculation of the dollar's trade-weighted depreciation widened to 4.72 per cent. from 4.63 per cent.

Gold fell $¾ to $159¾-160 in fairly quiet trading.



CURRENCY RATES

	Special Drawing Rights December 19	European Unit of Account December 19
Sterling	0.645919	0.647678
U.S. dollar	1.20461	1.20078
Canadian	1.31460	1.38316
Austria sch.	18.4860	18.4438
Belgian franc	40.4264	40.5023
Danish krone	7.12107	7.13038
Deutschemark	2.56681	2.67110
Dutch guilder	2.77700	8.78168
French franc	0.76930	5.77987
Italian lira	1053.89	1055.09
Japanese yen	291.491	291.018
Norway krone	0.25924	0.25811
Spain peseta	98.0423	98.3890
Swedish krone	0.71420	5.71025
Swiss franc	2.46505	2.46636

GOLD MARKET

	Dec. 20	Dec. 19
Gold Bullion (a fine ounce)		
Close	$159¾-160	$160-160½
Opening	$159½-160½	$159¼-[illegible]
Morning fix'g	$159.80 (£84.662)	$159.75 (£85.496)
Aftern'n fix'g	$159.50 (£84.869)	$160.10 (£85.387)
Gold Coins domestically		
Krugerrand	$164¾-166¾ ($87½-88½)	$166¼-[illegible] (£88¾-[illegible])
New Sov'rgns	$50¼-52¼ (£26¾-27¾)	$50½-5[illegible] (£27-28)
Old Sov'rgns	$50¼-58¼ (£26¾-27¾)	$50½-5[illegible] (£27-28)
Gold Coins (Internat'ly)		
Krugerrand	$164½-166½ (£87¼-88¼)	$165¾-[illegible] (£88¼-[illegible])
N'w Sov'rgns	$49¾-51¾ (£26½-27½)	$50-52 (£26¾-[illegible])
Old Sov'rgns	$49¾-51¾ (£26½-27½)	$49-51 (£26½-[illegible])
$20 Eagles	$251¼-254¼	$250¼-[illegible]

FOREIGN EXCHANGES

Dec. 20	Bank Rate %	Market Rates Day's Spread	Close
New York	6	1.8775-1.8975	1.8800-[illegible]
Montreal	7½	2.0460-2.0650	2.0490-[illegible]
Amsterdam	4½	4.27-4.35	4.31-[illegible]
Brussels	9	62.10-62.90	62.1[illegible]
Copenhagen	9	10.88-11.05	10.8[illegible]
Frankfurt	3	3.95-4.01	3.97[illegible]
Lisbon	15	74.90-75.60	75.0[illegible]
Madrid	8	152.40-153.60	152.4[illegible]
Milan	11½	1,638-1,664	1,646[illegible]
Oslo	6	9.81-9.74	9.87[illegible]
Paris	9½	8.91½-8.81½	8.94[illegible]
Stockholm	8	8.81½-8.90½	8.88[illegible]
Tokyo	4¼	448-458	452[illegible]
Vienna	5½	28.50-28.75	28.50[illegible]
Zurich	1½	3.78-3.83½	3.80[illegible]

: Rates given are for convertible. Financial franc 62.50-62.70.

OTHER MARKETS

		Notes Rates
Argentina	1895.15-.95	Argentina [illegible]
Australia	1.6602-1.6668	Austria [illegible]
Brazil	30.14-30.34	Belgium [illegible]
Finland	7.55-7.68	Brazil [illegible]
Greece	66.132-66.766	Canada [illegible]
Hong Kong	8.71-8.74½	Denmark [illegible]
Iran	130-136	France [illegible]
Kuwait	0.525-0.535	Germany [illegible]
Luxemb'g	62.15-62.25	Greece [illegible]
Malaysia	4.4585-4.4785	Italy [illegible]
N. Zealand	1.8463-1.8648	Japan [illegible]
Saudi Arab.	6.57-6.67	Netherl'nds [illegible]
Singapore	4.401½-4.425½	Norway [illegible]
S. Africa	1.6285-1.6642	Portugal [illegible]
U.S.		Spain [illegible]
Canada		Switzerland [illegible]
		U.S. [illegible]
		Yugoslavia [illegible]

Rates given for Argentina free rate.

EXCHANGE CROSS-RATES

Dec. 20	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	[illegible]	44.10-30	6.347-357	3.982-992	92.30-50	104.80-5.20
New York	[illegible]	—	21.02-04	3.005-0117	1.8765-8775	43.70-85	48.60-65
Paris	[illegible]	[illegible]	—	14.513-342	3.981-9.001	207.65-8.16	236.45-95
Brussels	[illegible]	[illegible]	6.95-98	—	62.51-68	14.49-56	16.52-59
London	[illegible]	[illegible]	8.94-96	62.15-25	—	4.31-42	3.80½-81
Amst'dam	[illegible]	[illegible]	47.99-48.04	8.8876-925	4.3135-3185	—	—
Zurich	[illegible]	[illegible]	42.07-12	6.038-040	3.7868-7965	88.07-36	—

U.S. $ in Toronto U.S. $=109.07-11 Canadian cents. Canadian $ in New York=[illegible] U.S. cents. U.S. $ in Milan [illegible]. Sterling in Milan [illegible]. *Rates for Dec. 19.

EURO-CURRENCY INTEREST RATES*

Dec. 20	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss franc	W.German mark
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: [illegible]. Long-term Eurodollar deposits: [illegible]. The following nominal rates were quoted for London dollar certificates of deposit: [illegible]. *Rates are nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

FORWARD RATES

	One month	Three months
New York	[illegible]	[illegible]
Montreal	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
Cop'nhagen	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]
Madrid	[illegible]	[illegible]
Milan	[illegible]	[illegible]
Oslo	[illegible]	[illegible]
Paris	[illegible]	[illegible]
Stockh'lm	[illegible]	[illegible]
Vienna	[illegible]	[illegible]
Zurich	[illegible]	[illegible]

Six-month forward dollar [illegible]. 12-month [illegible].

Indices

NEW YORK—DOW JONES

	Dec. 19	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 12	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrial	807.95	815.52	817.91	822.68	815.23	815.76	999.75 (3/1)	800.85 (2/11)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	91.26	91.41	91.47	91.60	91.62	91.99	95.87 (7/9)	90.69 (7/5)	—	—
Transport	212.80	214.26	215.04	215.53	212.89	212.26	246.64 (13/5)	199.60 (25/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	110.88	111.26	111.28	111.02	110.92	111.64	113.67 (22/7)	104.97 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	21,150	20,270	21,610	22,110	18,190	18,180	—	—	—	—

* Basis of index changed from August 24.

	Dec. 16	Dec. 9	Dec. 2	Year ago (approx.)
Ind. div. yield %	5.64	0.03	5.67	4.15

STANDARD AND POORS

	Dec. 19	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 12	1977 High	1977 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	101.65	102.64	102.65	103.42	102.95	102.47	118.82 (3/1)	99.88 (2/11)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	92.68	93.40	93.55	94.03	93.56	93.65	127.00 (3/1)	90.71 (2/11)	125.85 (11/1/73)	4.40 (1/6/32)

	Dec. 14	Dec. 7	Nov. 30	Year ago (approx.)
Ind. div. yield %	4.89	4.96	4.84	3.70
Ind. P/E Ratio	9.06	8.99	9.35	11.39
Long Govt. Bond yield	7.88	7.86	7.77	5.35

N.Y.S.E. ALL COMMON

Dec. 19	Dec. 16	Dec. 15	Dec. 14	1977 High	1977 Low
51.24	51.61	51.68	51.80	57.07 (4/1)	49.78 (2/11)

Rises and Falls

	Dec. 19	Dec. 16	Dec. 15
Issues traded	1,822	1,891	1,906
Rises	382	640	653
Falls	1,071	727	760
Unchanged	469	024	503
New Highs	22	87	43
New Lows	49	28	34

MONTREAL

	Dec. 19	Dec. 16	Dec. 15	Dec. 14	1977 High	1977 Low
Industrial	172.44	172.69	171.58	170.82	188.47 (17/3)	158.82 (25/10)
Combined	173.44	179.86	179.17	178.47	187.55 (19/1)	165.60 (25/10)

TORONTO	Dec. 19	Dec. 16	Dec. 15	Dec. 14	1977 High	1977 Low
Composite	1041.6	1044.9	1038.0	1034.8	1067.4 (19/7)	961.0 (20/10)

JOHANNESBURG	Dec. 19	Dec. 16	Dec. 15	Dec. 14	1977 High	1977 Low
Gold	194.1	—	194.8	195.4	214.7 (17/10)	133.4 (24/5)
Industrials	208.8	—	209.8	209.5	211.2 (14/10)	159.1 (22/4)

	Dec. 20	Previous	1977 High	1977 Low
Australia (¶)	457.78	461.55	469.71 (20/6)	418.85 (11/2)
Belgium (⁑)	90.11	91.12	99.12 (10/1)	90.71 (20/12)
Denmark (**)	26.85	96.66	107.92 (9/6)	95.64 (22/11)
France (††)	(u)	(u)	56.4 (7/1)	43.5 (10/6)
Germany (‡‡)	773.6	775.7	813.6 (17/11)	712.6 (10/3)
Holland (§§)	80.6	81.3	93.2 (14/1)	76.6 (29/9)
Hong Kong (**)	411.97	414.82	435.17 (11/6)	411.07 (20/12)
Italy (‖)	56.80	56.21	73.71 (5/1)	55.05 (13/12)
Japan (a)	364.48	364.50	390.93 (29/9)	350.49 (24/11)
Singapore (b)	261.26	262.60	268.02 (29/8)	242.28 (5/5)
Spain (d)	84.25	—	102.37 (1/5)	82.92 (9/12)
Sweden (c)	321.53	327.80	416.62 (22/3)	224.61 (11/7)
Switzerl'd (f)	302.2	306.7	318.8 (14/10)	280.5 (3/3)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (⁑) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (**) Hang Seng Bank 31/7/64. (‖) Milan 2/1/72. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 31/12/76. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. 31/12/58. (u) Unavailable.

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £—90⅝% (91⅛%)

NEW YORK

Stock	Dec. 19	Dec. 16
[illegible]	[illegible]	[illegible]

CANADA

Stock	Dec. 19	Dec. 16
[illegible]	[illegible]	[illegible]

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax. [illegible]

GERMANY ♦

Dec. 20	Price DM.	+ or −	Div.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMSTERDAM

Dec. 20	Price Fls.	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPENHAGEN ♣

Dec. 20	Price Kroner	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIENNA

Dec. 20	Price %	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO ¶

Dec. 20	Prices Yen	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source Nikko Securities, Tokyo

BRUSSELS/LUXEMBOURG

Dec. 20	Price Frs.	+ or −	Div. Frs.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND ●

Dec. 20	Price Fr.	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MILAN

Dec. 20	Price Lire	+ or −	Div. Lire	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

Dec. 20	Aust. $	+ or −
[illegible]	[illegible]	[illegible]

PARIS

Dec. 20	Price Frs.	+ or −	Div. Frs.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCKHOLM

Dec. 20	Price Kronor	+ or −	Div. Kr.	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRAZIL

Dec. 20	Price Cruz	+ or −	Div.	Yld.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Rio de Janeiro SE.

OSLO

Dec. 20	Price Kroner	+ or −	Div. %	Yld. %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOHANNESBURG

MINES

Dec. 20	Rand	+ or −
[illegible]	[illegible]	[illegible]

INDUSTRIALS

	Rand	+ or −
[illegible]	[illegible]	[illegible]

Securities Rand Discount [illegible]

SPAIN ▼

Dec. 20	Per cent.	+ or −
[illegible]	[illegible]	[illegible]

FARMING AND RAW MATERIALS

Hong Kong silver market plan

HONG KONG is to get a new silver commodity market early next year, the Hong Kong Trade Development Council said yesterday.

Mr. Won Hon-Fai, chairman of the Chinese Gold and Silver Exchange Society, claimed that the new market in silver would officially begin on February 1, although there would be a one-day trial trading on January 3.

Interest

As the name of the 70-year-old society denotes, silver trading in Hong Kong is not new. But it was discontinued after the Second World War. The present revival of interest is due to the increased activities in this metal in world markets recently, the chairman declared.

The contracts for silver trading in Hong Kong, which have received approval from the Government, will be in HK dollars in lots of 5,000 ounces each.

Trading procedures will follow those of the Commodity Exchange in New York. The physical delivery point will also be in New York.

Trading rules and other regulations are now being drafted, and trading times will be set at the same hours as those for gold trading.

Troubles over coffee price

SAN FRANCISCO, Dec. 20.

HILLS BROS. Coffee Inc, confirmed Press reports it has financial problems due to declining coffee prices, reports Reuter.

But the company added it was working closely with the Bank of ... and expected to resolve its problems shortly.

Hills Bros., one of the largest coffee roasters and distributors in the U.S., is owned by Copersucar of Sao Paulo, Brazil.

Our Commodities Staff writes: Concern over a possible shortage of nearby supplies brought a rise in values on the London Robusta Coffee terminal market yesterday. The January position gained £80.5 to £1918.5 a tonne. But the March position was only £39 higher at £1,717.5.

World cocoa surplus forecast for 1977-78

BY OUR COMMODITIES STAFF

WORLD COCOA production is likely to exceed consumption by about 99,000 tonnes in the 1977-78 season, according to the latest market report from London merchants Gill and Duffus.

The forecast surplus is in sharp contrast to the 33,000 tonnes deficit predicted by the International Cocoa Organisation in September but is near the lower end of the range of recent trade forecasts.

The predicted surplus is mainly due to an expected 125,000 tonnes rise in the world crop to 1,464,000 tonnes. Most of this rise is forecast in West Africa where production is projected to increase from 849,000 tonnes to 938,000, mainly because of increased Nigerian and Ivory Coast production.

Ghanaian production is expected to slip to 320,000 tonnes in 1977-78 from 324,253 in 1976-1977, but this decline is more than compensated by forecast increases in Nigeria, 220,000 tonnes against 165,000, and the Ivory Coast, 255,000 tonnes against 229,000.

South American production is also expected to increase with Brazil's output rising to 3,850,000 bags (60 kilos each) against 3,599,000 in 1976-77.

World grindings of cocoa are forecast to decline by only 4.3 per cent. in 1977-78 to 1,350,000 tonnes and by only 1 per cent. in 1978. The most notable reductions next year are forecast for the U.S., the U.K., West Germany and Japan. Though the total is only expected to decline by 1 per cent. this would take grindings to the lowest level since 1970, the report notes.

U.S. grindings are forecast to fall by 3 per cent. to 180,000 tonnes in 1978 but much of this decline is likely to be attributable to a switch to the use of cocoa products. "After usage of cocoa products is taken into account, overall consumption may scarcely decline at all in 1978," Gill and Duffus observes.

But consumer resistance to rising chocolate prices in West Germany may lead to a 6 per cent. fall to 132,000 tonnes.

At 6.5 per cent., the forecast fall in grindings decline in the U.K. for 1978 is the biggest of the major consumer nations. The report blames this on "virtually zero growth" in consumer expenditure.

"The continuing world economic recovery in 1977 seems to have played an important role in moderating the decline in cocoa usage of a time when production fell by over 11 per cent." Gill and Duffus said. "If economic growth continues in 1978 it seems unlikely that grindings will fall much below our forecast. Indeed if the forecast errs it is more likely to be too pessimistic."

The report suggests that the Soviet Union may be considering a substantial increase in grindings in 1978 but warns that much may depend on grain import requirements which will influence the amount of hard currency left available for "luxury" commodities.

Tin market tumbles again

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES tumbled on the London Metal Exchange yesterday accelerating the decline that started last Monday. Standard grade cash tin slumped by £220 to £6,630 a tonne, £725 below the peak of £7,355 reached on December 9. The three months quotation also fell sharply by £115 to £6,595.

Yesterday's fall in prices was attributed to reports of fresh arrivals of unsold tin from Malaysia, helping to relieve the shortage of immediately available supplies that has provided the market with a firm undertone in recent months.

As a result there was heavy selling of nearby positions and the premium of the cash price to three months narrowed to £35 by the close compared with nearly £400 only 10 days ago.

At the same time another rise in the value of sterling put the market under renewed downward pressure to bring London market prices into line with overseas markets, particularly as Penang values were lower overnight.

Once the downward trend was established it triggered off chartist and speculative selling points that brought a further burst of selling before the market stabilised at the lower levels.

The sudden decline in tin prices comes at a time when producing countries are arguing strongly for a substantial rise in the buffer stock ranges of the International Tin Agreement.

Unlikely

The Straits tin price in Penang at Ringitts 1,760 a picul is still Ringitts 260 above the Tin Agreement "ceiling." But producers are believed to be seeking a rise of Ringitts 200 in the price range (currently Ringitts 1,200 to 1,500), based on the kind of figure needed to encourage new production instead of current mine costs as at present.

However, it seems highly unlikely that the consuming countries will agree to this new concept being applied to the buffer stock price ranges.

Particularly, since further moves to secure releases of some of the surplus tin stocks held in the U.S. stockpile are likely when Congress resumes after the Christmas holiday break.

The rise in sterling also depressed other metal prices again yesterday. Copper prices lost ground, although most other U.S. producers have now followed the lead set by Asarco, and later Phelps Dodge, in raising their domestic prices.

Reuter reports from Tokyo: Japan plans emergency imports of up to $110m.-worth of non-ferrous metal ore, as part of its import-boosting measures, according to Finance Ministry officials.

The ore imports would include some 60,000 tonnes in metal content of copper and zinc, and around 30,000 tonnes of alumina and Bauxite.

The imported ore is expected to be refined into metal at Japanese smelters for stockpiling purposes, the officials said.

The finance will be supplied by the semi-official Export-Import Bank, following a loan of foreign exchange to the bank by the Finance Ministry.

Setback in prices of farm land

Financial Times Reporter

FARM LAND prices in England and Wales for the three months to September fell for the first time since June, 1976, according to Ministry of Agriculture figures published to-day.

The Ministry said the average price of all farm land sales notified to the Inland Revenue during that period was £1,250 a hectare, compared with £1,358 a hectare in the previous quarter.

The fall comes at the end of 18 months of steady price increases, and shows a down-turn at a lower level than at the previous peak reached in the boom year of 1974. Then average prices for all land went up to £1,496 and vacant possession land averaged £1,550 a hectare.

Prices subsequently fell to an average for all farmland of £1,071 a hectare in March, 1976.

In the latest figures buying by individual farmers accounted for 89 per cent. of the farm sales and for 78 per cent. of the area of land sold. The remainder was acquired by property companies, financial institutions, farming companies and public authorities.

Indian grain stocks down temporarily

By K. K. Sharma

NEW DELHI, Dec. 20.

INDIAN WHEAT stocks now stand at 12m. tonnes. They have fallen by about 5m. tonnes in the post three months as a result of higher releases at subsidised rates through the public distribution system of "fair-price" shops.

The running down of the large foodgrain stocks has also been helped by exports of wheat to Russia in repayment of a past food loan, and a small shipment to Vietnam.

The decision to run the stocks down was taken following damage resulting from insufficient storage facilities. However, the problem is far from over since there has been a bumper paddy crop and procurement of "kharif" (summer) cereals by official agencies is at record levels.

"Rabi" (winter) prospects are good and it is likely that the record production of 121m. tonnes of foodgrain reached in 1975-76 will be repeated in 1977-78.

FMC RESULTS

Bacon curing the Achilles heel

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

I HAVE BEEN a shareholder in FMC—previously the Fatstock Marketing Corporation—since my loan stock was converted to Ordinary shares on flotation in 1961.

I did not succumb to the blandishments of the Borthwick bid because I thought the poor performance of my shares was a small price to pay for the undoubted advantages of having a buyer of livestock of the magnitude of FMC competing on the market with others. This must have been the motive of most farmers who also refused to sell, and also of the National Farmers Union Development Trust.

FMC as it began could never have been considered a particularly good investment. The British wholesale meat trade is highly fragmented and consists of a very large number of very competitive small wholesalers mixed up with a number of the larger firms. No one company has ever succeeded in dominating this trade because of the competition of small men with no overheads.

Where I always believed FMC went wrong was in buying the Marsh Harris bacon interest when the late Sir John Stratton took over the chairmanship. This immediately changed the company from being in effect a service organisation disposing of farmers' livestock, into one manufacturing an end product.

Bacon has been a declining market for a long time and since 1972-73 annual consumption has fallen from 606,000 tonnes to 474,000 tonnes.

British curers although suffering from the general fall in demand for bacon have increased their U.K. market share from 44 per cent. to 47 per cent. according to the last Annual Price Review figures. The position up to end September 1977 was that British production was up by 2,000 tonnes for the past 12 months and imports had risen by 10,000 tonnes.

The Danish share has risen slightly, but for the nine months under review is still trading behind the British.

The difficulty which FMC faces in the bacon market "irrespective" of comparative efficiency with the Danes is that British farmers have alternative outlets for pigs—the curers' raw material. If the fresh pork market is good supplies of pigs are attracted to that outlet. This means that the supply of bacon pigs cannot be guaranteed. At the present moment British pig prices have risen by 16 per cent. So if FMC now tried to reduce prices to farmers they would probably not get the pigs.

The Danes do not suffer from this problem. Their fresh pork market is subordinate to bacon which is geared to exporting, and farmers do not have alternative outlets. This factor is a built-in advantage which is more important than the EEC monetary compensatory export subsidies long term.

However, the basic problem is the price of the finished product—bacon. For some reason the British consumer has consistently refused to pay much more than £1,000 per tonne for bacon from whichever source it comes.

The price has remained at around this figure for the last two years with Danish bacon showing a small premium. There are occasional price fluctuations due to discounting, but there seems to be no way of raising prices at present without consumption falling.

Without the bacon curing interest FMC could probably continue to exist as a meat wholesaler in competition with other companies. But the bacon interest is likely to be a continuing albatross around its neck.

THE FMC group yesterday reported a pre-tax loss of £427,000 during the 24 weeks to October 15, 1977. This compares with a profit of £1,129,000 during the same period in 1976.

Directors of FMC attacked "unfair competition" from subsidised imports. They claimed that some Common Market producers had been provided with "huge subsidies" on certain exports to the U.K.

"This grossly unfair legalised dumping has made it impossible for British based producers, abattoir operators, bacon and ham curers and small goods manufacturers to compete against these imported products with any real hope of success," the group stated.

Full results Page 11

Upward trend for sulphur prices

BY RICHARD MOONEY

A GENERAL rise in sulphur prices may be on the way following an increase in prices for U.S. domestic supplies announced this month. Texas-gulf Inc. has increased its Frasch sulphur price by $3 a ton and has also raised transportation and distribution charges.

The new f.o.b. prices are $71 a ton at the Tampa, Florida, terminal; $75.85 at the Savannah, Georgia, terminal; and $76.60 at the Cartaret, New Jersey, terminal.

The U.S. increases will not have any direct effect on European prices, which are set under annual contracts which are being negotiated at the moment, but they will probably have some influence on the negotiations and could signal substantial increases in the pipeline. The 1977 European price was $60 a ton.

Frasch sulphur is produced by pump mining and accounts for a third of the world's production. The other two-thirds is recovered as an involuntary by-product of natural oil and gas.

Frasch is produced in the U.S. by Texasgulf, Freeport Minerals and Duval, Mexico, Iraq, Poland and the USSR also produce Frasch. As a by-product recovered sulphur is not under any significant cost pressure, but Frasch production costs have been increasing rapidly.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Easier on the London Metal Exchange as forward metal followed the trends of sterling. Forward metal started at £676, fell back to £668 and ... as sterling lost a little ground. ... Comex was higher, at ... and London moved up to a ... Kerb of £673. Turnover: ...

TIN ... metal started in London at £6,670. It fell to £6,570 on heavy stop-loss, bear and chartist selling as stops were touched off, before stabilising. The movements of sterling were a factor behind the price changes. The close on the Kerb was £6,565. Turnover: 3,065 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade £				
Cash	6650-60	-202	6625-35	-220
3 months	6590-610	-87.5	6580-600	-115
Settlem't	6660	-200		
Standard				
Cash	6650-60	-202	6625-35	-220
3 months	6590-600	-85	6590-600	-115
Settlem't	6660	-205		
Straits E	†1770	-5		
New York				

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	366.5-7	-5.5	366.5-.5	-5
3 months	370.25-.75	-5.25	370.25-.5	-4.5
Settlem't	367	-5.5		
N.Y. Spot			32-35	

GRAINS

SILVER

RUBBER

COCOA

COFFEE

SOYABEAN MEAL

SUGAR

MEAT/VEGETABLES

WOOL FUTURES

COTTON

JUTE

VEGETABLE OILS

PRICE CHANGES

U.S. Markets

Australian seafoods exports up

By Our Own Correspondent

CANBERRA, Dec. 20.

AUSTRALIA INCREASED its exports of rock lobster tails in the last financial year by 25 per cent. to nearly 5,000 tonnes, contributing largely to an overall record total of $A144m. in exports of seafoods.

Lobster exports were worth $A59m., compared with $A22m. in 1975-76, with U.S. restaurants accounting for virtually the entire trade.

A report from the Department of Primary Industry to-day says that seafood imports in 1976-77 were also a record at $A113m. Canned and frozen fish accounted for most of the imports.

Prices for both exports and imports had been pushed up by a growing shortage of the more popular varieties of fish in the Northern Hemisphere and the introduction of 200-mile fishing zones by a number of countries.

It added that there had been a general downturn in prices more recently as consumers turned to cheaper substitute foods and speculative activity abated.

Japan loses Oman fishery

MUSCAT, Dec. 20.

SOUTH KOREAN trawlers will replace those of Japan in fishing in Oman's Indian Ocean waters under an agreement signed here, reports Reuter. South Korea will also set up a fishmeal plant in the Muscat area to process the Omani product, officials said.

The reason for the replacement of the Japanese fishermen was not immediately known.

The Koreans will fish a 600km coastal stretch from Salalah to the island of Misirah, and will hand over to Oman 30 per cent. of the catch in exchange for the fishing rights, officials added.

Brazil may cut maize export

RIO DE JANEIRO, Dec. 20.

TRADE SOURCES said they expect Brazil's maize export surplus next year to fall below 1m. tonnes from around 1.5m. this year because of a smaller crop, reports Reuter.

They said lower prices this year have led to some switching into cotton and soyabeans which could cause a fall of up to 1m. tonnes in the 1977-78 maize crop.

Planting for the next crop is virtually over, and weather so far has been very good.

Reuter

Approval likely for textile deal

A pay deal for 10,000 workers in the West Yorkshire textile industry, giving increases from £3.50 a week, is expected to be approved by the Government. It has been negotiated by the General and Municipal Workers Union and gives an extra day's holiday from next August.

Operatives and warehousemen will get £42 for a 40-hour week, with pro rata increases for drivers, overlookers, technicians, clerical workers and others in wool-combing, top-making, scouring and allied sections.

COMPANY NOTICES

STOCK EXCHANGE REPORT

Gilts end below best but help equities to improve

Bear closing puts index up 9.8 at 479.6—S. Africans weak

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Nov. 28	Dec. 8	Dec. 9	Dec. 20
Dec. 12	Dec. 29	Dec. 30	Jan. 11
Jan. 3	Jan. 12	Jan. 13	Jan. 24

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

As measured by the FT 30-share index, leading equities made a good showing yesterday with a jump of 9.8 to 476.6. There was no expansion in genuine buying, however, the forward move mainly reflecting marking up and the closing of short positions.

Jobbers anticipated another day of rising quotations in the Gilt-edged market by marking prices of the equity leaders up across the board at the opening: this resulted in an early rush of bear-closing and to a further slight upward adjustment to levels which held throughout the session in another thin trade. The amount of business was mirrored in official markings of 4,001—better than Monday's 3,407 but down on the week-ago level of 4,513, while the lethargy after the firm start was seen in the index being limited to a range of only 1.4 from 11 a.m. after having posted gains of 5.3 at 10 a.m. and 8.4 an hour later.

British Funds continued the recent uptrend with long-dated issues showing to best advantage with rises to ⅞, but these were clipped back to ⅜ by the official close and were further eroded in the late trade by selling to switch into the long tap being issued to-morrow.

Short-dated issues closed with small mixed changes, the dull spots here also reflecting selling for the same reason, and predictions about the extent of over-subscription for to-morrow's £800m. issue ranged from 5 to 8 times the £120m. required in its £15-paid form. The Government Securities index put on 0.16 for a five-day rise of 1.82, or 2.4 per cent. to 77.68.

Sentiment in the Funds was helped by sterling's renewed strength, the local authority workers' pay agreement and continuing hopes for an early fall in near money rates. The rate on this week's issue of yearling bonds was lowered by ⅛ more to 7⅞ per cent.

Rises led falls in FT-quoted Industrials by 3-to-1 against the previous day's 6-to-5, and the All-share index put on 1.8 per cent. at 211.89. The Financial sector was good helped by above-average gains in Properties, Banks and Discount Houses.

Gilts fade late

Encouraged by the initial strength in sterling, Gilt-edged securities got away to a good start with the emphasis on longer-dated issues. These opened around ¼ higher and a two-way trade ensued before stock was sold, partly to obtain funds for to-morrow's subscription to the new long tap, Treasury 10¼ per cent. 1999, £15 payable on application. After the official close of business scattered offerings accelerated the reactionary tendency and the gains were either pared, or completely erased. Among the shorts, switching into the tap caused the Government Broker to withdraw his selling price of 96⅞ for supplies of the stock and established it later at 96⅞. Otherwise the need to raise funds was evident too at this end of the market so early rises, to ⅛, were relinquished and on occasions replaced by losses extending to that amount. Nearer maturities were an exception and retained their earlier improvements. Corporations maintained their upward momentum, LCC 8⅞ per cent. 1988-90 gaining a full point more to 76.

Conditions in the investment currency market were a repetition of the previous day. Institutional offerings together with selling released by arbitrage business in Far Eastern securities depressed sentiment, which was already affected by the fresh upturn in sterling, and the rate fell to 89½ per cent. before steadying to close at 90⅛ per cent., down ⅞ on the day. Yesterday's SE conversion factor was 0.7230 (0.7261).

Discounts up again

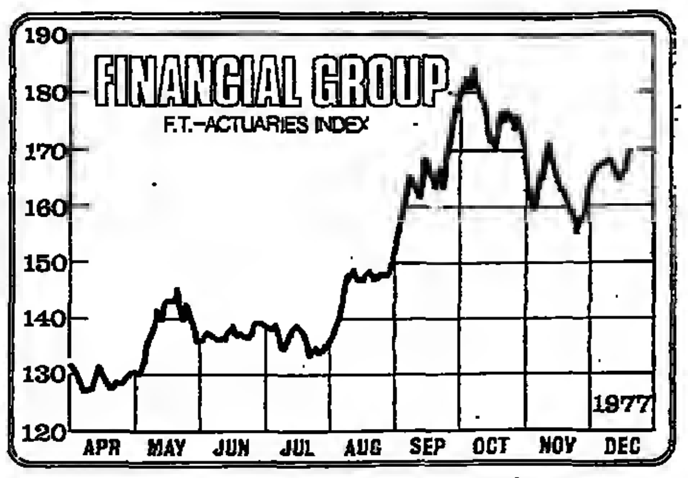
In further sympathy with gilts and also aided by publicity given to a brokers' bullish circular, Discounts made further progress. Union added 15 to 475p, Gerrard and National rose 10 to 192p, as did Alexanders to 270p, and Allen Harvey and Ross to 520p. Smith St. Aubyn firmed 8 to 90p, while Jessel Toynbee put on 5 to 87p. Home Banks improved with the general trend but the volume of business was again small. Lloyds and NatWest rose 9 to the common level of 282p. Elsewhere, Bank of Ireland, 343p, and Bank of Scotland, 300p, advanced 13 and 10 respectively. Among quietly firm Hire Purchases, Lloyds and Scottish closed a penny dearer at 108p, after 110p, on the higher preliminary profits.

Trade in Composite Insurances was thin but prices closed firmer throughout. Royals put on 10 to 402p and Sun Alliance 6 to 574p. Commercial Union improved 3 to 146p with the help of Press comment.

Breweries staged a useful recovery. Guinness were outstanding with a rise of 6 to 186p, while Bass rallied 3 to 153p and Allied 2 to 92p. Elsewhere, Distillers regained 5 to 173p, and other fresh rises in the sector again reflected buying on bid hopes.

Useful gains were recorded in selected Buildings. James Horrison rose 6 to 57p, after 58p, following the cash, or share alternative, bid terms from Barratt Developments, which shed a penny to 110p. Renewed speculative interest lifted Newarthill 8 to 160p, while improvements of 8 and 7 respectively were seen in Marchwiel at 246p and Magnet and Southerns 7 to 187p. Further consideration of the mid-way profits upsurge left A. Monk 4 higher at 79p. Alfred Lockhart rose 15 to 130p in a thin market. Tarmac added 5 at 134p and AP Cement were a similar amount better at 260p.

Among quietly firm Chemicals, ICI moved up 4 to 358p as did Fisons to 378p, while Allied Colloids improved 3 to 87p.



Crystalate hardened a shade to 21½p in reply to the higher profits and proposed rights issue.

Television issues gained ground. HTV N/V, 116p, and LWT A, 104p, rising 3 and 4 respectively.

Burton good

Burton issues stood out in a firm Stores sector, the Ordinary rising 12 to 112p, after 113p, and the A 8 to 108p, on good buying influenced by either recovery or bid hopes. Elsewhere, sentiment continued to be spurred by reports of increased pre-Christmas spending. Gussies A at 314p, and Mothercare, at 192p, improved 8 apiece, while UDS gained 4 to 94p as did Combined English to 91p. Marks and Spencer added 3 to 158p. Speculative interest in a thin market prompted a rise of 10 to 90p in Cope Sportswear.

Thorn Electrical, a dull market of late, experienced a bear squeeze and rose 18 to 372p; the interim results are due in a couple of weeks time. GEC were good at 269p, up 9. EMI improved 4 to 180p and Plessey recovered 2 to 92p. Decca A put on 10 to 475p and Laurence Scott gained 7 to 111p. Rises of 10 were established by United Scientific, 276p, and Racal, 204p, while Muirhead improved 6 to 193p. Rediffusion moved up late to 92p for a rise of 8, while Petbow hardened 4 to 184p on the interim profits statement.

The Engineering leaders closed with some useful gains. Vickers were outstanding at 177p, up 7, while Tubes firmed 10 to 356p and GKN 6 to 272p. Speculative interest revived in both Mining Supplies, 6 to the good at 72p, and Manganese Bronze, 4 dearer at 68p, but the profits warning prompted late dullness in Spear and Jackson, which fell 6 to 132p. Scattered demand left Pegler Hattersley, 4 dearer at 172p, and Weston Evans, 5 better at 84p, while Siebe Gorman, up 2 at 174p, reflected satisfaction with the half-yearly results.

Slightly more interest was shown in the Food sector. Among noteworthy movements, Batleys of Yorkshire closed 8 higher at 68p, after 70p, following the half-yearly results and proposed scrip issue in Preference shares to Ordinary holders, while Joseph Stocks moved up on Press mention by 21 to 150p in an extremely thin market. FMC closed 1½ dearer at 71½p, after 73p, mirroring the Board's hopes that profitability would be restored by the financial year-end: the half-yearly loss had been discounted. Linfood moved up to 185p in front of the results, but reacted on the news to finish a penny cheaper on balance at 178p. Among Hotels, Grand Metropolitan firmed 3 to 101p.

Glaxo advance

Recent short positions taken in Glaxo were hastily covered and produced an above average advance of 13 to 586p. Metal Box were similarly affected and gained 12 to 298p. Rises of around 6 were seen in Unilever, 556p, Boots, 222p, Reckitt and Colman, 433p, and Beecham, 873p, the last-named after touching a 1977 peak of 877p. BOC hardened ½ to 79½p in front of to-day's preliminary results. On the bid front, Spink opened and closed at 383p, compared with the cash offer of 400p from Andrew Weir and the pre-suspension price of 285p, while Monday's late news of a counter-bid by ATV for Madame Tussauds saw the latter rise 7 to 39p, or 4 above the cash value of ATV's bid and 14 up on S. Pearson's original cash offer. Further consideration of the annual results left Caravans International 4 up at 81p for a two-day rise of 14 while, for a like reason, Granada "A" improved 4 more to 94p. Higher first-half profits produced contrasting movements in Radiant Metal, 2 up at 27p, and Norton and Wright, 3 lower at 172p.

Motors were highlighted by a jump of 12 to 126p in Plaxtons on the excellent results and proposed scrip issue. Elsewhere, revived speculative demand brought a gain of 7 to 74p in York Trailer and Blumel Bros. hardened a penny in response to the annual results. Associated Engineering were supported at 124p, up 5, along with Wilmot Breeden, 3½ dearer at 61p. Among the leaders, Lucas were good at 272p, up 8, while Dunlop firmed 2 to 89p.

North Sea-oil orientated stocks attracted support among Newspapers. Thomson put on 14 to 647p. Daily Mail and General rose 7 to 315p and Associated were 4 to the good at 154p. DRG firmed 4 to 119p in Papers where McCorquodale improved 5 further to 220p.

Land Secs. firm

Land Securities led the way in firm Properties, rising 7 to 213p, and MEPC were not far behind with a gain of 8 to 123p. Great Portland put on 12 to 304p among the heavier-priced issues where Hammerson "A" advanced 10 to 595p. British Land, 32p, Capital and Counties, 49p, and English, 40½p, were all 1½ better, while Samuel improved 3 to 91p. Estates and General gained 2½ to 20p on bid hopes and a Press mention aided Second City, 1½ to the good at 42½p. United Kingdom hardened 1 more to 20p after news that Throgmorton Securities had purchased 4.18m. shares, thus increasing its stake in U.K. to 24.79m. shares.

Another fairly small trade was experienced in Oils, but it produced contrasting moves in the two majors. British Petroleum succumbing to American selling and losing 6 late to 850p, but Shell encountering small local support and advancing 12 to 532p. Royal Dutch gave up ¼ to £41⅞ on investment currency influences. Elsewhere, Ultramar regained 6 to 222p, while LASMO issues made fresh headway with the Ordinary closing 3 higher at 153p and the OPS 2 harder at 410p.

Among Overseas Traders, Lonrho closed a penny dearer at 77p; the results came well after market hours.

With the exception of a rise of 9 to 220p in Dalgety, Trusts were featureless.

Shippings moved higher with the general trend. Furness Withy put on 8 to 325p, while Ocean Transport, 135p, and P and O Deferred, 114p, gained 5 and 4 respectively.

Shaw Carpets, at 23p, recovered 3 of the previous day's reaction of 5 which followed news of the first-half loss. Elsewhere in Textiles, Nova (Jersey) Knit hardened a penny to 37p in response to the interim figures. Tobaccos traded firmly with Imps improving 3½ to 74p.

Canada's withdrawal of its Trade Commission unsettled South African industrials, O.K. Bazaars falling 25 to 310p and Greatermans 'A' 10 to 120p.

In common with leading equities, Guthrie rose 7 to 252p in Plantations where Barsoore were marked up 3 to 80p on further consideration of the recent dividend payment.

Golds sharply lower

The withdrawal of the Canadian Trade Commission from South Africa was the prime motivation for the fresh bout of weakness in South African mining issues yesterday although the 75 cents fall in the bullion price to $159.625 per ounce and the further easing in the investment currency premium were additional adverse factors.

Prices were marked down at the outset of business owing to the Canadian news but as persistent offerings from Cape, Continental and local sources became evident jobbers were obliged to lower them even further prior to a slightly harder tendency which developed in the late trade. Nevertheless the Gold Mines index dropped 7.3 to 139.5—its lowest level since September 16.

Worst affected among the heavyweights were Randfontein, which sustained a ⅞ loss at £29¼, and West Driefontein, which gave up 1 at £18. Falls of a half-point were common to both Vaal Reefs and Western Holdings at £11⅝ and £12⅜ respectively.

Durban Deep dropped 23 to 267p and East Rand Proprietary 48 to 320p following the passing of the companies' respective dividends.

South African Financials mirrored Golds. Anglo American Corporation gave up 7 more to 259p while Anglo-Vaal fell 30 to a 1977 low of 650p. De Beers and Union Corporation were both 5 off at 299p and 250p respectively. Platinums were similarly easier with Bishopsgate 3 down at 82p.

FINANCIAL TIMES STOCK INDICES

	Dec. 20	Dec. 19	Dec. 16	Dec. 15	Dec. 14	Dec. 13	A year ago
Government Secs.	77.68	77.52	76.82	76.59	76.31	76.59	[illegible]
Fixed Interest	80.55	79.78	78.65	79.00	78.76	78.60	[illegible]
Industrial Ordinary	479.6	469.8	471.3	471.1	474.0	476.9	[illegible]
Gold Mines	139.5	[illegible]	139.0	139.8	139.5	137.4	[illegible]
Ord. Div. Yield	5.57	5.66	5.65	5.65	5.65	5.60	[illegible]
Earnings Y'ld% (full)	16.90	17.19	17.14	17.09	17.05	16.92	[illegible]
P/E Ratio (net) (*)	8.40	8.26	8.28	8.31	8.33	8.39	[illegible]
Dealings marked	4,001	3,407	5,586	3,579	4,131	4,515	[illegible]
Equity turnover £m.	—	48.25	49.60	57.12	59.10	54.56	[illegible]
Equity bargains total	—	9,313	8,439	9,712	11,107	11,899	[illegible]

10 a.m. 473.1. 11 a.m. 478.2. Noon 478.2. 1 p.m. 478.2. 2 p.m. 478.2. 3 p.m. 478.2. Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=8.54. Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942. ‡ Corrected. Dec. 16 nil ratio 5.23 (not 8.18).

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	80.60 (1/10)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (13/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.8 (18/10)	88.1 (17/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 20	Dec. 19
Daily Gilt-Edged	144.1	[illegible]
Industries	136.1	[illegible]
Speculative	33.2	[illegible]
Totals	91.1	[illegible]
5-day Average Gilt-Edged	123.0	[illegible]
Industries	127.2	[illegible]
Speculative	33.0	[illegible]
Totals	84.1	[illegible]

OPTIONS TRADED

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov. 22	Dec. 5	Feb. 23	Mar. 7
Dec. 6	Dec. 19	Mar. 9	Mar. 21
Dec. 20	Jan. 10	Mar. 30	Apr. 11

For rate indications see end of Share Information Service.

Money was given for the call in Associated Leisure, British Petroleum, Burmah Oil, P and O Deferred, Vickers, Charterhall, Premier Consolidated, Ultramar, Hawker Siddeley, Burton A, Midland Bank, [illegible]ley, MFI, Plessey, [illegible] Supplies, Orme Developments, Town and City, Reed International, NatWest Warrants, Commercial Union. Associated Leisure were dealt in for the put while double options were arranged in English Property, Premier Consolidated, British Shaw Carpets, Town and City, Steetley, NatWest Warrants, Consolidated, EMI, Racal, Orme Developments, Associated Leisure.

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977.

NEW HIGHS (115)

CORPORATION LOANS (1)
COMMONWEALTH AND AFRICAN LOANS (2)
LOANS (2)
FOREIGN BONDS (1)
BANKS (5)
BEERS (3)
BUILDINGS (8)
CHEMICALS (3)
CINEMAS (1)
DRAPERY AND STORES (12)
ELECTRICALS (4)
ENGINEERING (9)
FOODS (4)
INDUSTRIALS (10)
INSURANCE (1)
MOTORS (1)
PAPER AND PRINTING (4)
PROPERTY (21)
SHOES (2)
TEXTILES (1)
TRUSTS (6)
RUBBERS (3)

NEW LOWS (28)

AMERICANS (12)
Asarco, Chrysler, Esmark, Firestone Tire, GATX, Gen. Elect., Gillette, Ingersoll-Rand, Morgan (J. P.), Singer, Texaco, Xerox

BANKS (2)
Bankers NY, Com. Bk. Australia

CHEMICALS (2)
Hoechst Fin., Norsk Hydro

ELECTRICALS (1)
Sony

FOODS (1)
Kraft

HOTELS (1)
Bond (J.)

INDUSTRIALS (2)
Wheelock Marden, Swire Pacific

MOTORS (1)
Gen. Motors

SOUTH AFRICANS (1)
Abercom

TEXTILES (1)
Sola Viscosa

TRUSTS (1)
Haw Par

MINES (2)
Anglo-Vaal, [illegible]

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Props.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantation	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Recent Issues	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

THE BOOK PAGE

This week the Book Page will be published in Friday's issue of the

FINANCIAL TIMES

instead of on Thursday, as is usual

We apologise to readers for any inconvenience this may cause

FINANCIAL TIMES

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ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high	1977 low
Shell Transport	25p	12	532	+12	635	454
BATs Defd.	25p	10	231	+7	280	202
BP	£1	9	850	−6	986	776
GEC	25p	9	269	+9	284	163
GUS A	25p	9	314	+6	347	176
Reed Intl.	£1	9	128	+5	223	116
Thorn Electrical	25p	9	372	+18	448	196
Glaxo	50p	8	586	+13	667	401
Assoc. Dairies	25p	7	245	+7	293	141
Burmah Oil	£1	7	51	+2	63	41
Coral Leisure	10p	7	253	+3	253	108
Distillers	50p	7	173	+5	193	120
Grand Met.	50p	7	101	+3	108	62
ICI	£1	7	358	+4	446	325
Racal Electronics	25p	7	204	+10	270	118

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	ERGO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Farmer (S.W.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Holden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	I.M.I.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1978. q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of Ordinary shares as a "rights." ** Rights by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ||| Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tues., Dec. 20, 1977 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net)	Mon. Dec. 19 Index No.	Fri. Dec. 16 Index No.	Thurs. Dec. 15 Index No.	Wed. Dec. 14 Index No.
1	CAPITAL GOODS (172)	205.10	+1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (28)	187.22	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (26)	328.97	+2.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (15)	450.03	+2.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Engineering (Heavy) (9)	289.96	+1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Engineering (General) (67)	158.76	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Machine and Other Tools (8)	199.46	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Miscellaneous (20)	159.04	+1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	CONSUMER GOODS									
11	(DURABLE) (52)	190.86	+2.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12	Lt. Electronics, Radio TV (15)	227.85	+3.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13	Household Goods (12)	180.15	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14	Motors and Distributors (25)	115.41	+2.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	CONSUMER GOODS									
21	(NON-DURABLE) (173)	200.56	+1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Breweries (14)	226.99	+2.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23	Wines and Spirits (6)	243.59	+2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24	Entertainment, Catering (17)	259.58	+2.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (22)	199.71	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (16)	207.95	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Newspapers, Publishing (14)	354.25	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	Packaging and Paper (13)	125.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (25)	170.88	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Tobaccos (3)	222.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37	Toys and Games (6)	99.76	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (98)	192.65	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (17)	261.77	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Office Equipment (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Shipping (10)	461.95	+2.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Miscellaneous (55)	201.95	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (496)	205.80	+1.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (4)	[illegible]	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	224.33	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (100)	169.96	+2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	194.99	+3.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	168.51	+2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	138.36	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	135.09	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	271.81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (14)	81.67	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (31)	237.27	+2.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (7)	105.72	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	88.78	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (19)	280.39	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (673)	211.89	+1.6	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues. Dec. 20	Day's change %	xd adj. to-day	xd adj. 1977 to date
1	Under 5 years	109.25	+0.04	—	8.86
2	5-15 years	124.38	+0.15	0.25	10.34
3	Over 15 years	132.71	+0.34	0.16	13.60
4	Irredeemables	147.43	+0.41	—	13.54
5	All stocks	121.26	[illegible]	0.11	11.01

FIXED INTEREST YIELDS

Br. Govt. Av. Gross Red.

			Tues. Dec. 20	Mon. Dec. 19
1	Low Coupons	5 years	7.12	[illegible]
2		15 years	9.22	[illegible]
3		25 years	9.87	[illegible]
4	Medium Coupons	5 years	9.44	[illegible]
5		15 years	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]
7	High Coupons	5 years	10.02	[illegible]
8		15 years	11.27	[illegible]
9		25 years	11.27	[illegible]
10	Irredeemables		[illegible]	[illegible]

		Tuesday Dec. 20 Index No.	Yield %	Monday Dec. 19	Friday Dec. 16	Thurs. Dec. 15	Wed. Dec. 14	Tuesday Dec. 13	Monday Dec. 12	Friday Dec. 9
15	20-yr. Red. Deb. & Loans (15)	62.04	11.97	61.70	61.77	61.77	61.92	61.92	61.38	[illegible]
16	Investment Trust Prefs. (15)	56.18	12.56	56.18	56.18	55.60	55.44	55.49	55.54	[illegible]
17	Coml. and Indl. Prefs. (20)	76.76	11.80	76.73	76.75	76.72	77.27	[illegible]	77.39	[illegible]

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

INSURANCE, PROPERTY, BONDS

[illegible]

BASE LENDING RATES

A.B.N. Bank	7½%	■ Hill Samuel	§ 7 %
Allied Irish Banks Ltd.	7½%	C. Hoare & Co.	† 7 %
American Express Bk.	7 %	Julian S. Hodge	8½%
Amro Bank	7½%	Hongkong & Shanghai	7 %
A P Bank Ltd.	7 %	Industrial Bk. of Scot.	7 %
Henry Ansbacher	7½%	Keyser Ullmann	7 %
Banco de Bilbao	7½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	7½%	Lloyds Bank	7 %
Bank of Cyprus	7½%	London & European	8½%
Bank of N.S.W.	7½%	London Mercantile	7 %
Banque Belge Ltd.	7½%	Midland Bank	6¾%
Banque du Rhone	8 %	■ Samuel Montagu	6¾%
Barclays Bank	7½%	■ Morgan Grenfell	7 %
Barnett Christie Ltd.	8½%	National Westminster	7½%
Bremar Holdings Ltd.	8½%	Norwich General Trust	7½%
Brit. Bank of Mid East	7 %	P. S. Refson & Co.	7 %
Brown Shipley	7 %	Rossminster Accept'cs	7½%
Canada Permanent AFI	7½%	Royal Bk. Canada Trust	7½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	7½%
Cayzer Ltd.	7½%	E. S. Schwab	9 %
Cedar Holdings	7 %	Security Trust Co. Ltd.	8½%
Charterhouse Japhet	7 %	Shenley Trust	9½%
C. E. Coates	8½%	Standard Chartered	7½%
Consolidated Credits	7½%	Trade Dev. Bank	7½%
Co-operative Bank	* 7 %	Trustee Savings Bank	7 %
Corinthian Securities	7½%	Twentieth Century Bk.	8½%
Credit Lyonnais	7 %	United Bank of Kuwait	7 %
Duncan Lawrie	† 7½%	Whiteaway Laidlaw	7¾%
Eagil Trust	7½%	Williams & Glyn's	7½%
English Transcont.	8 %	Yorkshire Bank	7½%
First London Secs.	7½%		
First Nat. Fin. Corpn.	8 %		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	7 %		
Greyhound Durrant Trust	7½%		
Grindlays Guaranty	7½%		
Guinness Mahon	† 7½%		
Hambros Bank	7 %		
	7 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 4%, 1-month deposits 4¼%.
† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 4¼% and over £25,000 5%.
‡ Call deposits over £1,000 4%.
§ Demand deposits 4¼%.
• Rate also applies to Sterling Ind. Secs.

CLIVE INVESTMENTS LIMITED

Royal Exchange Ave., London EC3V 3LU. Tel. 01-283 1101
Index Guide as at 6th December, 1977 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	135.19
Clive Fixed Interest Income	128.03

CORAL INDEX: Close 478-483

INSURANCE BASE RATES

† Property Growth	8½%
Cannon Assurance	4 %

† Address shown under Insurance and Property Bond Table

NOTES

[illegible]

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
101½	95⅝	Treasury 9pc 1978‡‡	100	.....	8.95	6.50
104¼	47⅞	Treasury 10½pc 78‡‡	102xd	.....	10.21	5.45
100⅛	M5 82	Exch. 5pc '76-78‡‡	M5 82	+14	5.03	5.82
107	95½	Treasury 11½pc '79‡‡	104¾	.....	10.98	7.34
97¾	81	Treasury 3pc '79‡‡	96¼	.....	3.12	5.28
96¼	85⅝	Electric 4¼pc '74-79	97	.....	4.38	6.06
106½	92	Treasury 10½pc '79‡‡	103	+	10.11	8.23
97½	64⅞	Electric 3½pc '76-79	95½	+	3.64	5.67
107	87¾	Treasury 9pc 1980‡‡	102⅜	+⅛	8.79	7.79
105½	83½	Treasury 9½pc '80‡‡	102¼	+¼	9.27	6.33
96	82⅞	Treasury 3½pc '77-80	94⅝	.....	3.70	5.85
98¾	83	Funding 5½pc '78-80‡‡	96½	.....	5.46	6.58
112	96	Exchequer 13pc 1980‡‡	109	–	11.84	9.76
108	92	Treasury 11½pc 1981‡‡	105xd	–	10.87	9.30
144	77	Treasury 3½pc 1979-81	90	.....	3.29	7.08
103	86	Treasury 9¾pc 1981‡‡	101	–	9.62	9.26
96	96¾	Exch. 8¼pc 1981	96	+	8.51	9.30
103½	97½	Exch. 9½pc 1981	100	–¼	9.50	9.48
92	87¼	Exch. 3pc 1981	87¾	.....	3.42	6.34
98	96½	Treas Variable '81‡‡	96½	–	7.15	7.95
115	96¼	Exch. 12¾pc 1981‡‡	110	–	11.55	9.49
100⅝	82	Treas 8½pc '80-82‡‡	98xd	.....	0.60	8.84
93½	71⅝	Treasury 3pc '82‡‡	86½	.....	3.48	6.89
114	101⅝	Treasury 14pc '82‡‡	115	–	12.17	9.60
98½	46⅝	Treas. Variable '82‡‡	96⅜	–⅛	7.16	7.87
98⅝	93⅝	Treasury 8½pc '82	95xd	–⅛	8.61	9.42
102⅛	93⅝	Exch. 9¼pc 1982	99½	–	9.30	9.37

Five to Fifteen Years

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
87⅝	81¼	Exch. 3pc '83	84⅝	–¼	3.54	6.80
113⅝	95½	Treasury 12pc 1983‡‡	112⅝	–⅛	10.96	9.64
101⅝	96½	Treasury 9¼pc '83	97⅞xd	–⅛	9.38	9.60
95½	72⅝	Funding 5½pc '82-84‡‡	89xd	.....	6.15	7.73
100¾	77⅞	Treasury 8½pc '84-86‡‡	95¾xd	.....	8.83	9.16
87⅞	66¾	Funding 6½pc '85-87‡‡	86½	.....	7.59	8.79
94	68½	Treasury 7¾pc '85-88‡‡	88½xd	.....	0.68	9.43
74	49⅝	Transport 3pc '78-88	67½xd	+⅛	4.44	7.51
76¼	53⅞	Treasury 5pc '86-89	74¼	+⅛	6.82	8.64
121¼	90	Treasury 13pc 1990‡‡	113½xd	+⅛	11.38	10.66
94¾	67⅛	Treasury 8¼pc '87-90‡‡	88¼	+¼	9.36	4.93
112	88¾	Treasury 11¾pc 1991	104⅝xd	+⅜	11.16	10.99
76½	53¾	Funding 5¾pc '87-91‡‡	74¼	+¼	7.87	9.33
118	86¾	Treasury 12¾pc '92‡‡	110¼xd	+⅜	11.45	11.14
95½	89¾	Treasury 10pc 1992	94½	+⅜	10.69	10.90
112½	89½	Exch. 12¼pc '92	111⅛	+⅜	11.43	11.23

Over Fifteen Years

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
116¼	84½	Treasury 12½pc '93‡‡	108¾xd	+⅜	11.61	11.20
73½	51⅝	Funding 6pc 1993‡‡	71½	+¼	8.58	9.78
126	46	Treasury 13¾pc 1993‡‡	118⅝	+⅜	11.72	11.37
129	99	Treasury 14½pc '94‡‡	126⅞	+⅜	11.84	11.42
115¼	94⅝	Exch. 12½pc 1994	112⅜	+⅜	11.48	11.30
96	66½	Treasury 9pc '94‡‡	86⅝	+¼	10.25	10.56
110¾	97	Treasury 12pc '95	104⅞xd	+⅜	11.32	11.21
51	53	Gas 3pc '90-95	51	+¼	5.93	8.47
120	87	Treasury 12¾pc '95‡‡	112⅝	+⅜	11.50	11.32
92½	66¾	Treasury 9pc '92-96‡‡	89¼	+¼	10.36	10.64
133¾	101⅛	Treasury 15¼pc '96‡‡	129⅝	+⅜	11.95	11.58
124	89¾	Exchequer 13¼pc '96‡‡	115⅝	+⅜	11.59	11.39
49	31½	Redemption 3pc 1986-96	49¼	+¼	6.18	8.54
122	87	Treasury 13¼pc '97‡‡	113xd	+⅜	11.57	11.38
97¼	90⅝	Exchequer 10½pc 1997	96½	+⅜	11.00	11.07
89	64	Treasury 8¾pc 1997‡‡	87	+¼	10.38	10.66
72¾	50¾	Treasury 6¾pc '95-98‡‡	71¼	+¼	9.60	10.25
136½	103	Treas. 15½pc '98‡‡	133½	+⅜	11.92	11.63
97	65⅞	Treasury 9½pc 1999‡‡	89⅝xd	+¼	10.57	10.72
—	—	Treas 10½pc '99 £15pd	£95	.....	11.05	11.12
44¾	27⅞	Funding 3½pc '99-04	41xd	+⅛	8.31	9.53
82¼	57½	Treasury 8pc '02-06‡‡	79¾	+¼	10.25	10.41
59	40½	Treasury 5½pc '08-12‡‡	57⅜	+¼	9.85	10.11
80¾	53¾	Treasury 7¾pc '12-15‡‡	75¼xd	+¼	10.20	10.28

Undated

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
38	26⅝	Consols 4pc	36¼	+⅛	10.90	—
33	25¼	War Loan 3½pc‡‡	36	+⅛	4.64	—
39½	26¾	Conv. 3½pc '61 Aft.	39⅝	+⅛	9.25	—
28	20½	Treasury 3pc '66 Aft.	28	+⅛	10.96	—
24	17¼	Consols 2½pc	23½xd	+⅛	10.59	—
25½	17¼	Treasury 2½pc	23½	+⅛	10.90	—

**INTERNATIONAL BANK

1977 High	Low	Stock	£	+ or –	Yield Int.	Red.
88¾	75½	5pc Stock '77-82	87¼	.....	5.73	8.35

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 39¼% (based on US$1.8900 per £)

Conversion factor 0.7236 (0.7261)

CANADIANS

[illegible]

S.E. List Premium 39¼% (based on $2.0580 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCE

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

198	102	Messina R0.50	104xd	-1	Q30c	ϕ	19.5

MISCELLANEOUS

9½	9	Burma Mines 17½p.	9	......	—	—	—
115	58	Colby Mines $C1	99	+2	—	—	—
600	250	Cons. Murch. 10c	265	-5	Q30c	ϕ	‡
475	275	Northgate C$1	300	-10	—	—	—
247	173	R.T.Z.	182	+2	t8.5	q3.1	7.1
70	28½	Sabina Inds. C$1	40	+4	—	—	—
£14⅝	875	Tara Exptn. $1	975	......	—	—	—
55	39	Tehidy Minerals 10p	48	......	1.21	2.5	3.8
160	121	Yukon Cons. C$1	135	......	Q7c	ϕ	3.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ☨☨ Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✤ Regional price.
- Π No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 30

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......	Sheff. Refrshmt.	45	......
Ash Spinning	41	......	Shiloh Spinn	20	......
Bertam	19	......	Sindall (Wm.)	83	......
Bdg'wtr. Est. 50p	268	+6			
Clover Croft	23	......	**IRISH**		
Craig & Rose £1	380xd	......			
Dyson (R.A.)	35	......	Conv. 9% '80/82	£97¾	+¼
Ellis & McHdy	65	......	Alliance Gas	70	-10
Evans Fr'k 10p	28	......	Arnott	186xd	......
Evered	15½	......	Carroll (P.J.)	90	......
Fife Forge	47	......	Clondalkin	70	+1
Finlay Pkg. 5p	18½	......	Concrete Prods.	106	+1
Graig Ship. £1	250	......	Halton (Hldgs.)	45	......
Higsons Brew	133	......	Ins. Corp.	150	......
I.O.M. Stm. £1	147	-5	Irish Ropes	130	......
Holt (Jos.) 25p	225	......	Jacob	43	......
N'thn. Goldsmith	58	......	Sunbeam	22½	......
Pearce (C. H.)	111	......	T.M.G.	165	+17
Peel Mills	17	......	Unidare	65	......
Sheffield Brick	45	......			

OPTIONS

3-month Call Rates

Industrials		I.C.I.	25	Tube Invest.	30
A. Brew	6½	"Imps"	7	Unilever	40
A.P. Cement	18	I.C.L.	20	Utd. Drapery	7½
B.S.R.	11	Inveresk	7	Vickers	15
Babcock	10	KCA	3	Woolworths	6
Barclays Bank	25	Ladbroke	17		
Beecham	38	Legal & Gen.	14	**Property**	
Boots Drug	15	Lex Service	6	Brit. Land	3¼
Bowaters	16	Lloyds Bank	22	Cap. Counties	5
B.A.T.	24	"Lofs"	5	E.P.	5
British Oxygen	6	London Brick	5	Intreuropean	3
Brown (J.)	20	Lonrho	7	Land Secs.	18
Burton 'A'	9	Lucas Inds.	25	MEPC	12½
Cadburys	5	Lyons (J.)	13	Peachey	10
Courtaulds	10	"Mams"	7	Samuel Props.	10
Debenhams	10	Mrks. & Spncr	13	Town & City	2
Distillers	13	Midland Bank	25		
Dunlop	8½	Nat. West. Bank	22	**Oils**	
Eagle Star	11	Do. Warrants	10		
E.M.I.	18	P & O Dfd.	12	Brit. Petroleum	45
Gen. Accident	17	Plessey	9	Burmah Oil	7
Gen. Electric	16	R.H.M.	5	Shell	28
Glaxo	40	Rank Org. 'A'	18	Ultramar	22
Grand Met.	9	Reed Intl.	18		
G.U.S. 'A'	18	Reyrolle	20	**Mines**	
Guardian	18	Spillers	4	Charter Cons.	12
G.K.N.	22	Tesco	4	Charterhall Fin.	3½
Hawker Sidd.	60	Thorn 'A'	22	Cons. Gold	20
House of Fraser	12	Trust Houses	13	Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday December 21 1977

Big textiles switch by Rhone-Poulenc group

BY DAVID CURRY PARIS, Dec. 20.

RHONE-POULENC, the French chemicals group, has announced a drastic reorganisation of its textile activities. Textile manufacture at five sites in France is eventually to be abandoned. At the same time, extra investment is to be concentrated in nylon and polyester.

The plans are aimed at tackling losses at the Rhone-Poulenc Textile subsidiary, which by the end of this month, will have reached around Frs.2bn. (£220m.) over the past three years.

M. Jean Gandois, group managing director, announcing the plans yesterday, estimated that European fibres capacity was some 40 per cent. above demand and that sales would be virtually static for seven or eight years.

Over this period, even with a more restrictive Multi-Fibre Arrangement, imports would account for whatever growth to the market there might be.

The investment programme will be at Rhone-Poulenc's Arras, Cauchy and Valence plants, where Frs.450m. (£53m.) is to be spent to create what M. Gandois said would be the most modern facilities in Europe for making nylon textile and carpet yarn, polyester and nylon fibre and polyester textile yarn.

Together with monofilament polyester and industrial polyester yarn, these activities carry the group's entire hopes to remain a powerful force in the European synthetic fibre market.

The group has pledged that there will be no factory closures within two years and no redundancies without a previous offer of alternative employment being made. This decision will enable the company to phase closures with the start of new production in the synthetic fibre sector.

In all, 6,000 people are employed at the five sites where textiles making will eventually cease, and the company and the Government are studying ways of attracting new employment to them. Rhone-Poulenc Textile's current payroll is more than 13,000 people.

The company has a series of product lines which will be maintained provided markets can be found but without committing significant investment. These activities include rayon and Viscose fibre. Certain synthetics, including acrylic and chlorofibre, also come into this category.

Recounting the "sad litany" of the European textile industry's problems, M. Gandois said the main difficulty was the import of semi-finished and finished textiles. At the end of last year, imports over the textile sector as a whole reached 44 per cent. of the French market and 57 per cent. in synthetic fibres.

He also blamed recent over-investment in the European industry, but affirmed that one of Rhone-Poulenc's principal difficulties had been to meet the crisis with largely out-dated industrial plant.

He emphasised that the group's Brazilian textile activities, with sales of about Frs.1.5bn., were profitable and that in Germany, Switzerland and Spain the losses were containable.

M. Augustin Mollard, who is close to retirement age, is stepping down as chairman of Rhone Poulence Textiles, to be succeeded by M. Albert Diehl.

Drive to control offshore element in banking fringe

BY MARGARET REID

THE GOVERNMENT has recently conducted a drive to cut down the number of overseas-registered companies operating in Britain with names including such words as "bank" and "trust"—some of which are very small.

As a result of this new clamp on the outer fringes of the banking scene more than three-quarters of the offshore concerns which have been officially directed to cease operating under bank-type names appear to have gone out of business.

Some have operated under very high-sounding names with extremely small capital.

Although very many small banking concerns operate entirely legitimately, the attention of the police has been directed to certain areas.

In the past year and a half the City and Metropolitan Police Company Fraud Department, under Commander Thomas Edwards, and detectives from Scotland Yard's Serious Crimes Squad, have launched an inquiry into activities in the offshore banking field.

As a result of this investigation, which extends well beyond the shores of Britain, about 30 people have been arrested and are facing fraud charges.

The Department of Trade recently acted under powers given to it by Section 31 of the Companies Act 1976 to give notice to certain overseas-registered companies operating in Britain that it is undesirable for them to conduct business under their existing names.

The Section, which came into effect in April, closes a loophole by enabling the Government to control the names of overseas-registered companies operating in Britain, just as it has long had power to regulate the names of British-registered companies.

Service of notices under the Section does not imply that there is anything illegitimate about the activities of the companies receiving them.

At the end of September the Department of Trade issued notices of this kind to 44 overseas-registered companies with names including words such as "bank," "trust" and "banking corporation."

The effect of the notices is that the company should, after two months, cease to operate in Britain under its existing name.

It is believed that in six cases new names have been approved or are under negotiation, while three companies are in liquidation. In the remaining 35 cases there has either been no reply to the notice, or the company vanished from its registered address.

Therefore, in all these cases—which include Intercontinental Banking Corporation, a concern registered in Anguilla with a paid-up share capital of $3 (£1.64)—the notice to cease to carry on business under the existing name took effect after the end of November.

The authorities in Anguilla, the small West Indian island, have also recently tightened their curbs on companies with bank-type names. Anguilla's Official Gazette of September 9 this year recorded 125 companies, most with names including the word "bank" or something similar, as struck off the companies register.

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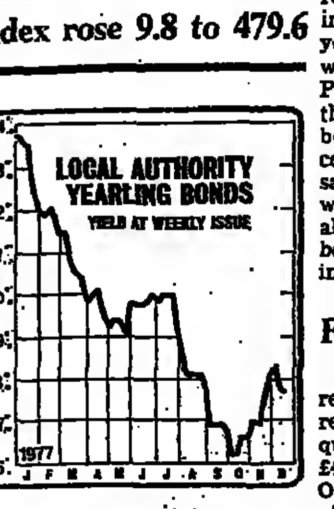
THE LEX COLUMN

A final quarter jolt for Lonrho

The pound was again in the limelight yesterday. At one point it nearly touched $1.90 before closing at $1.8805 and on a trade-weighted basis the exchange rate rose 0.4 to 64.5. Following last week's measures to stem the inflow into the Deutschemark, the pound is once again attracting speculative inflows, although the Bank of England appears to be standing back and not adding to the official reserves. For the many companies with December year-ends the pound's latest upward spurt is going to put a little further pressure on their overseas profits, as translated.

Index rose 9.8 to 479.6



Lonrho

For the first time in its eventful history Lonrho has published a decline in its pre-tax profits. The figure for the year to September emerges at £88m., compared with £93m. in 1975-76, and this means that profits in the final quarter are not much more than half what the City had been expecting.

Of course it is always difficult to get the sums right with Lonrho, especially during the final quarter, which traditionally accounts for about half the year's attributable profits. The latest period was particularly hard to assess, given adverse currency fluctuations. But a disappointment on this scale must be disturbing given that it comes at the end of a year in which the company has made two rights issues and a string of substantial acquisitions.

At the bottom line Lonrho has published an increase in its earnings per share—up 0.1p a share to 26.2p per share after a much lower tax charge. However, the figure that really catches the eye is the jump in net interest payable from £13m. to £22m. which indicates a very major increase in borrowings in a period when sterling interest rates have fallen sharply.

Typically the reasons for the poor results are obscure in the extreme and there is going to be no further clarification until the audited results are published in February. Meanwhile there will be speculation about the performance of some of the recent acquisitions, notably Dunford and Elliott, which must have suffered a very marked downturn in trading activity since it forecast profits of £5m. pre-tax at the beginning of this year.

Lonrho's stock market image is not exactly glamorous; at 79p the shares yield nearly 13 per cent. and sell at just three times reported earnings. However, this is a group which has always asked to be judged by its record alone.

Lloyds and Scottish

Lloyds and Scottish wisely skirted clear of property lending in the past and consequently it does not have the sort of recovery potential of some other finance houses. Nevertheless, a rise of only a fifth in pre-tax profits to £17.4m. is disappointing given the sharp fall in interest rates this year and the buoyancy of the instalment credit business.

Earlier this month Lombard North Central, for example, reported for the same period its first half profits fell by close to a fifth and nearly doubled in the second half. By comparison, Lloyds and Scottish's profits grew by 15 per cent. and 25 per cent. in the first and second halves respectively.

Admittedly, Lloyds and Scottish only derives around half its profits from instalment credit and leasing. Virtually all of the rest comes from the less cyclical industrial and commercial side. Profits here rose by close to a third last year, helped by a £0.4m. first-time contribution from the Mann and Overton acquisition.

However, the sluggishness of the instalment credit side—profits rose by 15 per cent.—is surprising. New credit extended rose by 35 per cent. for industry as a whole over year and Lloyds and Sco was increasing its market Part of the reason must be the group is tying more bending to variable rates consequently does not ge same sort of boost as the when interest rates fall also appears to be fundin book longer which delays impact.

FMC

FMC's trading problems received plenty of publici recent weeks, and they are quantified with news £427,000 loss in the half-y October compared with p of £1.1m. a year earlier. according to the Board, sh mark the nadir. Sharp head reductions are expec cut the losses in the bacon tories, while the meat div is already out of the red, the group hopes to be in black for the year as a wh

Meanwhile borrowings rising. Debt has edged u wards £15m.—nearly all which is short term—comp with tangible sharehol funds of £14m. FMC's im diate needs are covered at some stage in the no distant future, the proba is that the group will want money if it wants to con to expand turnover whic currently running at £400m.

That could be awkward f group currently capitalised just £7m. NFU Develop Trust, which owns 72 per c of the equity, is a comp limited by guarantee witho share capital which der most of its income from F dividends. This year's p ment, if any, is uncertain. A the City will be an unwilli provider, for although minori shareholders were offered a w out by the Trust when Bor wick bid earlier this year, t fact that FMC (advised by B clays Merchant Bank) felt a to turn down an underwri offer of £12½m. will not be f gotten quickly.

FMC's statement yester roundly dismissed recent s gestions that it is motivated anything other than stri commercial considerations. return to consistent profit plainly a matter of s urgency.

High Court rules to-day on miners' pay row

BY CHRISTIAN TYLER AND NICK GARNETT

LEGAL DECISIONS expected to-day could virtually affect the course of miners' pay negotiations and therefore the Government's chances of holding the line on its wage restraint policy.

The High Court is to give judgment in an action by three Left-wing led areas of the National Union of Mineworkers to stop the rapid spread of area incentive schemes that will put extra cash in to many miners' pockets before Christmas.

Any appeal against that judgment could well go straight to the Court of Appeal to-day, where Lord Denning, Master of the Rolls, again would have to decide a major industrial relations issue with important political implications.

Two months ago, Lord Denning presided over the hearing of a same-day appeal by the Kent area of the union, which unsuccessfully attempted to stop a pithead ballot on a new national incentive scheme from going ahead.

Yesterday Mr. Justice Watkins heard arguments by leaders of the three areas—Yorkshire, South Wales and Kent—that the national executive's decision to allow the union's constituent areas to negotiate what is in effect the same scheme, is in breach of the union's rule. The pithead ballot unexpectedly rejected the bonus plan.

The hearing was in chambers and therefore closed to the public, but a key element in the Left-wingers' case was that the executive was in breach of one of the union's objects as laid down in the rule book—"to negotiate a national wages agreement with a national ascertainment covering the whole of the British coalfield."

It was also argued that the executive was in breach of conference decisions dating back to 1946, some of them in pursuit of the union's pay claim, and of the rule that the executive should not act contrary to any conference resolution.

Mr. Joe Gormley, president of the union and one of the NUM officials named in the case, has argued that the executive acted under another rule which says that areas cannot enter agreements of an area character without the national executive's approval.

Behind this constitutional argument is the fact that area incentive schemes will help to satisfy the wage-hungry miners, and thus reduce the chances of a set-to in the national negotiations on a claim for double the present day-wage rates which start in earnest next month.

Pressure

The Yorkshire area council decided on Monday to hold a ballot in its area, with a recommendation to reject, again, any bonus arrangements. Its 67,000 miners will be asked to authorise industrial action to make sure the Yorkshiremen, without bonus payments, earn no less than other miners getting them.

Bonuses could add £23.50 a week or more to faceworkers' earnings—or nearly a third of the current average.

Meanwhile, the pressure on Mr. Arthur Scargill, Yorkshire area president, from his own members is mounting. Fourteen Yorkshire pits out of a total of 66 have now notified the National Coal Board that they want incentive deals. A further six are preparing applications. Four of the 14 pits are in south Yorkshire, whose miners have been more firmly against local schemes than those in the north.

More than 120 of Britain's 236 pits have either asked for local incentive deals or are covered by general applications for incentive schemes—as in Nottinghamshire where an agreement for the area has been reached already.

A special meeting of the union's executive decided yesterday to continue negotiations with the Coal Board on improving the latest offer on early retirement for miners with service underground.

Threat of strike by bakery men

By Pauline Clark, Labour Staff

THE THREAT of a national strike by bakery workers hung over renewed talks between employers and union leaders in the bakers' pay dispute yesterday.

As talks between the two sides started under the umbrella of the Advisory, Conciliation and Arbitration Service Mr. Sam Maddox, general secretary of the union, said he believed the employers were "inflaming the situation" and that a strike could happen before Christmas is a settlement was not reached.

The talks started as bread shops throughout the country were hit for the second day running by panic buying ahead of the long Christmas weekend.

The big three bakers—Ranks Hovis McDougall, Spillers-French and Allied Bakeries—estimate that bread production has been cut by about a quarter because of the overtime ban by 33,000 union members.

The small independent bakeries, who earlier this month agreed a 10 per cent. wage increase for their workers are unaffected by the dispute.

The bakers' union has rejected what it says is only a 6 per cent. offer from the big three employers. Negotiators in the Bakers' Federation say their offer amounts to about 12.5 per cent. and is already outside Government pay guidelines.

Jubilee Appeal raises £13.5m.

THE QUEEN'S Silver Jubilee Appeal has already raised £13.5m. In the eight months of the appeal, which continues until April 30, the amount actually received is £7.2m., but the remainder will be payments under covenant or pledge over the next nine years.

Canadian uranium for EEC again soon

BY DAVID BUCHAN BRUSSELS, Dec. 20.

CANADIAN uranium supplies to the EEC will be resumed from January 1 under a new agreement providing for tighter safeguards, approved yesterday by the Canadian Government and endorsed here to-day by all EEC member-States.

In the year-long negotiations, Canada had placed an embargo on her uranium shipments to the Community, which normally account for about a third of the 8,000 tonnes of uranium used annually in EEC reactors and power stations.

Under agreement, which runs to the end of 1980, Canada is given the right to "prior consultation" in any EEC reprocessing into plutonium, or enrichment above 20 per cent. of any of her uranium shipped to the EEC between the end of 1974 and the end of 1980.

This restriction is not expected to affect ordinary nuclear power stations, but only research reactors.

It is partially retroactive because Canada's safeguard system dates from late 1974.

In her negotiations with the EEC, Canada has been particularly suspicious of France, which has not signed the Nuclear Non-proliferation Treaty. France uses less Canadian uranium than the U.K. or West Germany, but the Euratom Treaty provides for free flow of nuclear supplies within the European Community.

French Ministers agreed to-day to the Canadian safeguard agreement, mainly because they do not feel bound by it to accepting the eventual recommendations of the International Fuel Cycle Evaluation Programme, as they had earlier feared.

The agreement endorsed to-day in Brussels runs until the end of 1980 or the conclusion of that programme, whichever is earlier. When finished the programme, an initiative of the Carter Administration, is expected to call for much tighter safeguards.

France seems to feel that even though she must periodically consult the Canadians for the next three years, her nuclear policy will still be left relatively free at the end of that time.

But France has also been forced to negotiate an arrangement with the International Atomic Energy Agency in Vienna, to whose safeguards the eight other EEC member-States subscribe.

Those negotiations are said to be progressing, but until they are completed no Canadian uranium will be shipped to French ports.

Weather

U.K. TO-DAY

FOG PATCHES clearing slowly.

London, S.E., Cent. S. England, E. Anglia, Midlands.

Fog at first. Wind S., light or moderate. Max. 8C (46F).

Channel Isles, S.W. England, Wales.

Fog patches early, rain later. Wind S., becoming strong. Max. 9C (48F).

E., N.W. England, Cent. N. England.

Occasional drizzle, hill fog. Wind light, becoming moderate. Max. 5C (41F).

N.E England.

Fog, perhaps freezing, persisting in places. Some bright intervals. Wind light. Max. 3C (37F).

Isle of Man, Borders, Edinburgh, Dundee, Aberdeen area, S.W. Scotland, Glasgow, Cent. Highlands, Moray Firth

Fog patches early, sunny intervals. Wind light or moderate. Max. 7C (45F).

N.E. Scotland, Argyll, N.W. Scotland, Orkney, Shetland, N. Ireland.

Mainly dry. Wind S., moderate or fresh. Max. 9C (48F).

OUTLOOK: Rain at times. Fog patches in S.E.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amsterdm	C	5	41	Luxembrg.	S	-1	30
Athens	F	12	54	Madrid	R	9	48
Bahrain	S	24	75	Manchstr	C	4	39
Barcelona	C	11	52	Melbourne	S	17	63
Beirut	F	19	66	Milan	S	1	34
Belfast	C	5	41	Montreal	C	-2	28
Belgrade	C	-5	23	Moscow	C	0	32
Berlin	C	5	41	Munich	S	-3	27
Birmghm.	Dr	4	39	Newcastle	F	3	37
Bristol	C	7	45	New York	C	2	36
Brussels	Fg	0	32	Oslo	C	-5	23
Budapest	Sn	-5	23	Paris	S	1	34
B. Aires	C	17	63	Perth	S	20	68
Cairo	S	16	61	Prague	C	-2	28
Cardiff	S	7	45	Reykjavik	Sn	-2	28
Chicago	Sn	1	34	Rio de J'o	R	25	[illegible]
Cologne	S	5	41	Rome	S	12	54
Copnhagn.	C	5	41	Singapore	C	29	84
Dublin	F	9	48	Stockholm	S	[illegible]	34
Edinbrgh.	S	5	41	Strasbrg.	Fg	[illegible]	27
Frankfurt	C	-1	30	Sydney	C	22	72
Geneva	C	-2	28	Tehran	R	6	44
Glasgow	S	5	41	Tel Aviv	S	18	64
Helsinki	S	1	34	Tokyo	C	8	47
H. Kong	S	18	65	Toronto	C	2	36
Jo'burg	S	24	75	Vienna	C	-4	25
Lisbon	R	15	59	Warsaw	C	2	36
London	C	7	45	Zurich	C	-4	25

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	S	14	57	Jersey	S	8	46
Algiers	S	18	64	Las Plms.	C	21	70
Biarritz	F	18	64	Locarno	S	5	41
Blackpool	C	5	41	Majorca	F	14	57
Bordeaux	C	9	48	Malaga	C	15	59
Boulogne	F	6	43	Malta	F	13	55
Casablnca.	F	22	72	Nairobi	S	21	70
Cape Town	S	24	75	Naples	S	12	54
Corfu	S	15	59	Nice	S	12	54
Dubrovnik	S	13	55	Nicosia	Th	13	55
Faro	C	17	63	Oporto	C	16	61
Florence	S	5	41	Rhodes	R	12	54
Funchal	R	19	66	Salzburg	C	-4	25
Gibraltar	C	16	61	Tangier	S	10	50
Guernsey	S	9	48	Tenerife	F	17	63
Innsbruck	S	3	37	Tunis	C	14	57
Inverness	F	10	50	Valencia	F	14	57
I. of Man	C	7	45	Venice	S	3	37
Istanbul	C	9	48				

S—Sunny. R—Rain. C—Cloudy. F—Fair. Dr—Drizzle. Fg—Fog. Th—Thunder. Sn—Snow.

Japanese car curb rejected

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE GOVERNMENT has turned down proposals for a formal curb on Japanese car imports in favour of fresh industry-level efforts to prolong the present understanding on voluntary import restraint.

Moves to persuade the Government to act follow recent figures showing that the Japanese have raised their market share in Britain to almost 11 per cent., against 9.5 per cent. last year.

The Government has rejected a quota system because it would have no case for such a move under international agreements while the domestic industry suffers from widespread strikes. The car manufacturers' poor industrial relations record, the Government says, makes it difficult to claim that imports cause decline of the home industry.

Leaders of the motor industry visit Tokyo in February to discuss further voluntary limitations on Japanese car exports to Britain.

So far there is no guarantee that the present understanding, conducted on a highly informal basis, will extend beyond the end of this year. The Society of Motor Manufacturers and Traders is clearly anxious for an extension, after a year in which imported cars have on occasion taken more than 50 per cent. of the market.

One problem is that the Japanese themselves appear to have difficulties in "policing" the understanding.

The main exporters to Britain are informally controlled through the Japanese Automobile Manufacturers' Association. In this group there are deep rivalries between the two largest companies, Toyota and Nissan (the Datsun manufacturer) as well as between them and the smaller car producers.

The Japanese are annoyed that some growth they could have secured in the last two years in Britain has gone to Continental importers. There have been signs that they aim for a big sales push in the New Year.

Both Datsun and Toyota have new models in the pipeline.

Continued from Page 1

Perez calls for oil price rise

should devise a system for channelling this increased revenue to the Third World.

"Why, for the benefit of humanity, does OPEC not agree to an increase in the price of oil between 5 per cent. and 8 per cent. to be devoted fully for one year as a contribution to the payment of debt of developing countries that lack oil.

"There is no hope for the developing world, nor will there be, if bold actions are not taken which will really go to the roots of the problem," he went on.

The Venezuelan President expressed disappointment about the failure of the north-south dialogue to agree on the formation of a common fund for the lesser developed countries.

Present OPEC proven and probable oil reserves stood at around 550bn. barrels, and at current production rates would last for only 29 years, he said. "That is to say, that only six years of the next century would elapse before the world would be involved in a tremendous crisis."

If consumption continued to grow at the rates of previous decades OPEC's reserves would be exhausted by the end of the century, he warned.

Urging development of alternative sources of energy, President Perez asserted: "All the observations that we have made in turn lead us to the conviction that maintaining the prices of petroleum at their present level can be perceived at this moment as more harmful for the world economy."

It remains to be seen whether his initiative will succeed in obscuring the almost inevitable failure of the conference, which seems doomed as far as reaching consensus on prices is concerned.

Before this major diversion of attention, Sheikh Abdel-Aziz al Thani, Qatar's Minister of Oil, and current president of OPEC, had outlined three possibilities—a price freeze, a nominal increase, or deletion of the subject from the agenda.

The most important objective, he said, was maintenance of unity despite any differences over price.

He expressed confidence in the recovery of the dollar, even though its depreciation had caused members "pain." The loss calculated by OPEC officials is around $2.5bn. since December, 1976.

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